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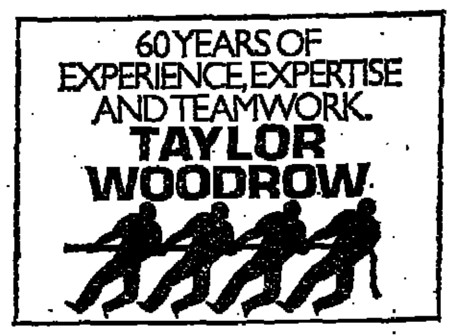


NEWS SUMMARY

GENERAL

Sadat and Begin invited to U.S.

President Ronald Reagan invited Egyptian President Anwar Sadat and Israeli Prime Minister Menahem Begin to meet him separately in the U.S. later this year.

The move marks Mr. Reagan's first personal attempt to revive the Camp David peace agreement initiated by ex-President Carter. The invitations came hours after the Egyptian and Israeli leaders met for the first time in 18 months. Back Page

Unity pledge

Three church leaders, the Archbishops of Canterbury and Armagh and the Roman Catholic Primate of all Ireland, pledged to work together for peace in Northern Ireland.

42% rise likely

MPs are expected today to approve a pay rise of nearly 42 per cent for Ministers of State in the Lords. Page 10

Raiders cleared

Two armed men were cleared at the Old Bailey of attempting to murder Pc Philip Olds — shot and paralysed from the waist down in an unsuccessful raid on a Middlesex off licence—but were convicted of wounding him.

Hospitals probe

Social Services Secretary Patrick Jenkin ordered an investigation into claims made in a TV documentary due to be shown next Wednesday that patients at two mental hospitals in Surrey and Berkshire have suffered deprivation.

N-war 'nearer'

Greater arms spending and deadlock over East-West detente were bringing the world closer to nuclear war, said the independent Stockholm International Peace Research Institute.

Sri Lanka crisis

A state of emergency, imposed in Sri Lanka's northern district of Jaffna after a series of killings and arson, was extended throughout the country as polling in local elections closed.

Suspect freed

Police in Atlanta, Georgia, released a 23-year-old man after questioning him about some of the deaths of 28 young blacks.

Earl Ray stabbed

James Earl Ray, serving life in a Tennessee jail for the murder of Martin Luther King, was wounded in a stabbing incident.

Grants warning

Seven Scottish councils were told they could lose more than £63m in grants this year if new laws to curb spending were passed. Page 7

Video-piracy plea

Film distributors were urged to crack down on pirate showings of video-taped films, or acknowledge the size of the business and introduce licensing. Page 9

Stop the racket

The Lawn Tennis Association told British umpires to stamp out the "unacceptable practice of grunting" by players in big tournaments.

Briefly . . .

England won the first Prudential Trophy one-day match against Australia by six wickets.

One-year-old boy was savaged to death by eight alsatians in a North-west London garden.

U.S. warships rescued more than 300 Vietnamese boat refugees in the South China Sea.

Climbing frame in a Nuremburg playground collapsed, injuring 45 children.

BUSINESS

Equities up 8.9 but gilts weaken

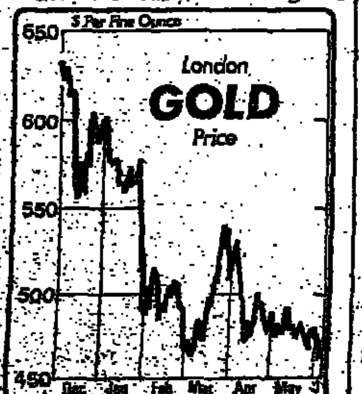
● EQUITIES strengthened as the pound fell, with exporting companies doing particularly well. The FT 30-share Index was 8.9 higher at 556.6. Page 32

● GILTS were weaker on fears about inflation and a rise in interest rates. The Government Securities Index dropped 1.14 to a 13-month low of 66.05. Page 32

● STERLING weakened further dropping 7.65c to $1.941, and 18-month low. It also fell to DM 4.685 (DM 4.765), FFr 11.03 (FFr 11.255) and Y440 (Y451), and its trade-weighted index at 94.8 (96.9) was the lowes for a year. Page 28

● DOLLAR improved to DM 2.415 (DM 2.36), a four-year high, FFr 5.68 (FFr 5.58), Y226.5 (Y223.5) and record levels against the lira and Irish punt. Its Bank of England trade-weighted index was up to 109.2 from 107.9. Page 28

● GOLD fell $13 in London to $461. In New York the Comex June close was $465.2. Page 28



● WALL STREET was 2.88 off at 986.83 before the close. Page 30

● EAGLE STAR chairman Sir Denis Mountain described Allianz Versicherung's offer of 290p a share as "daylight robbery." Eagle Star's 1981 dividend was raised by 42.9 per cent to 15p. Back Page

● LONRHO appeal in its £116m damages claim against Shell and BP over alleged Rhodesian sanctions-busting was dismissed by Law Lords. Page 9

● BRITISH AEROSPACE plans to put to the Government its proposals for a £200m investment in the A320, Airbus Industrie's projected 150-seat airliner. Back Page

● EXPORT CREDITS Guarantee Department's main offices in Cardiff have been almost cut off by Civil Service industrial action, preventing handling of exporters' insurance claims. Page 6

● GOVERNMENT'S energy planning is haphazard and based on out-of-date and unreliable forecasts, the General and Municipal Workers' Union claimed. Page 7

● LIVERPOOL PORT will come to a standstill today as 3,500 dockers strike over pay. Page 10

● LUCAS INDUSTRIES was threatened with strike action after a 5 per cent pay offer. Page 10

● BEECHAM GROUP, pharmaceutical maker, reported pre-tax profit up to £150.6m in the year to end-March (£136.8m). Final dividend of 3.57p (3.245p) was recommended, for a total of 6.666p (6.125p). Page 20; Lex, Back Page

● GUTHRIE CORPORATION saw pre-tax profits for 1980 down £3.49m at £24.01m. Page 23

● NORTHERN FOODS reported pre-tax profits for the six months to March 31 up to £17.19m from £14.81m, on turnover up 41 per cent to £362m. Page 24

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Assoc. Brit. Foods	140	+ 5
BAT Inds.	367	+ 10
Beecham	206	+ 7
Bowater	266	+ 9
British Aerospace	236	+ 8
Coates Patons	75	+ 4½
Commercial Union	171	+ 8
Distillers	217	+ 5
Guardian Royal Ex. (New)	48pm	+ 11
Hanson Trust	284	+ 10
Hawker Siddeley	312	+ 6
Heath (C. E.)	272	+ 20
Hogg Robinson	128	+ 11
ICI	290	+ 6
Martin The Newsagent	262	+ 8
Muirhead	114	+ 6
Northern Foods	173	+ 9
Polly Peck	260	+ 15
Rank Org.	192	+ 10
Reckitt & Colman	272	+ 14
Royal Bank of Scotland	188	+ 6
Tilling (T.)	187	+ 7
Transparent Paper	41	+ 4
Utd. Biscuits	117	+ 5
Usher-Walker	67	+ 10
Wedgwood	86½	+ 4
Willis Faber	353	+ 23
Global Nat. Res.	800	+ 90
C.R.A.	268	+ 10
M.I.M.	290	+ 8
Swan Res.	72	+ 5
W. Mining	324	+ 7

FALLS

Excheq. 11¾pc '86	£92¾	— 1½
Treas. 11¾pc '03-07	£86¼	— 2½
Change Wares	37	— 10
Comet Radiovision	146	— 10
Land Securities	387	— 7
LASMO	546	— 17
Central Pacific	98	— 7
Minorco	515	— 70

Selling knocks sterling down to $1.941

BY DAVID MARSH

STERLING yesterday suffered one of its biggest one-day falls against the dollar of the last decade, dropping 7.65 cents to close in London at $1.9410.

Amid a fresh heightening of the international monetary unrest of the past few weeks, the dollar swept ahead against the D-Mark, Swiss franc and other major currencies.

Depressed by high U.S. interest rates and expectations of a cut in prices of Britain's North Sea oil, the pound was hit by a wave of selling from banks, companies and investment institutions around the world.

The drop looks likely to delay any further cut in Minimum Lending Rate. Some analysts on the London gilt-edged market—where prices dropped by £2 yesterday—believe that the MLR might soon have to be raised.

The fall seems to mark the end of an 18-month period in which sterling's petro-currency status has largely insulated it from the currency turbulence surrounding the soaring dollar.

The pound's trade-weighted index, as calculated by the Bank of England against a "basket" of currencies, dropped to 94.8, down from 96.9 on Wednesday, and its lowest since last June.

The drop to well below $2, the sharpest since the Conservative Party came to power in May 1979, will improve the competitive position of British industry which has been squeezed hard by the pound's sharp rise of the past two years.

But the decline may add to inflation by raising the sterling cost of imported goods and raw materials.

On the London stock market, equities were boosted by demand for leading exporters' shares. The FT 30-share index finished up 8.9 at 555.6.

Lawson firm on sterling policy, Page 10
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Currencies, Page 28
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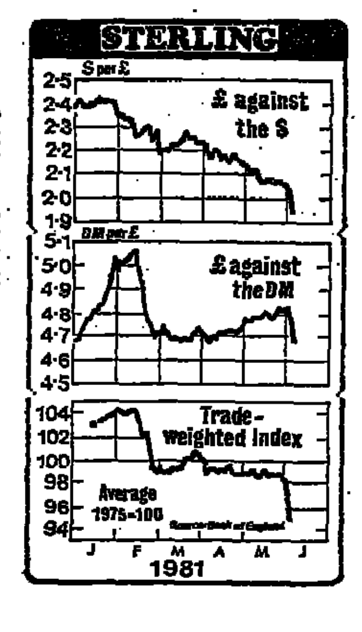

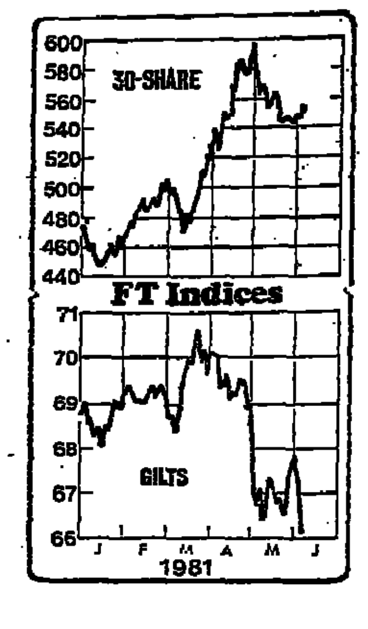

Large-scale sales of pounds gathered momentum yesterday following the drop in New York on Wednesday to below $2 for the first time in 2½ years. At one time yesterday the pound slid as low as $1.9340.

Some dealers believed that investors from oil-exporting countries, who have built up their sterling holdings during the past two years, may have contributed to the selling pressure.

Significantly, the pound was weak yesterday against the D-Mark and French franc, which Continued on Back Page

INDUSTRIALISTS STILL NOT HAPPY

Industrialists showed little general enthusiasm yesterday about the new levels of sterling and the Confederation of British Industry warned that it did not expect any substantial increase in business activity, writes John Elliott, Industrial Editor.

Leading industrialists have said they want a substantial fall in the level of sterling for nearly two years, but recent events have led to two main probelms.

First, the rate of fall against the dollar has been too rapid for the liking of most industrialists who would prefer more stability.

Second, the higher costs of importing raw materials from U.S. markets as the pound falls against the dollar cannot yet be recouped when products are sold in Europe because of the relatively small falls against European currencies.

The CBI warned that demand was still very depressed and that world markets would remain increasingly competitive. Companies which had held on in foreign markets, despite the low profitability of the past year or so, would, however, now see some gains.

The Bank of England made only a small amount of intervention sales of dollars in an attempt to brake the fall. In the House of Commons, Mr Nigel Lawson, Financial Secretary to the Treasury, confirmed that the Government is sticking to its policy of intervening on the foreign exchanges only to smooth out fluctuations rather than to defend any particular rate.

POLAND FACES RENEWED ATTACK

Soviet Union steps up war of nerves

BY DAVID SATTER IN MOSCOW

THE SOVIET media yesterday began an ominous new round in the war of nerves on Poland with charges that the country was awash in a "dirty flood of anti-Sovietism" and that there had been physical threats against loyal Polish communists.

The charges were among the harshest yet and appeared to presage a campaign of steadily escalating pressure likely to continue up to the start of the Polish party congress next month.

Th Soviet authorities oppose the democratic reforms which are expected to be approved at the congress, the first in Eastern Europe to be attended by freely-elected delegates.

Despite the pressure from Moscow, however, the Polish party has signalled its determination to press ahead with the reforms.

In Poland, meanwhile, a local Solidarity union leader accused of threatening violence against communists claimed he had been misquoted by the Soviet media.

Mr Bogdan Krakowski, described the Soviet agency Tass as a "monster" denied telling a meeting that a million party members should be hanged.

Mr. Lech Walesa, visiting Geneva, dismissed the Tass report as "fit for the waste basket." It had, he said, "a provocative air to it."

The Soviet Communist Party newspaper Pravda quoted Mr Stanislaw Wronski, chairman of the Soviet-Polish Friendship Society, as saying the flood of anti-Sovietism in the country was evident to anyone who was not "politically blind."

Pravda reported that a number of the society's veterans were dissatisfied with the evident lack of principles of those who had permitted "anti-Soviet declarations in Poland."

"Anti-Sovietism" is a serious charge. Unlike many Soviet terms of abuse it is entirely unambiguous.

Moscow accused the Communist reform movement in Czechoslovakia of "anti-Sovietism" in 1968 before the invasion.

Associated Press adds: In Bydgoszcz, northern Poland, yesterday leading churchmen and senior national officers of the Solidarity union pleaded with local unionists not to carry out their threat to call a regional strike next week.

Last night Solidarity's Continued on Back Page

Banks delay talks with Poland. Page 2

BP blames tax increase for 21% profits dive

BY SUE CAMERON

BRITISH PETROLEUM yesterday reported net profits of only £395m for the first three months of this year—21 per cent lower than in the same period of 1980. The group is blaming the dive in profits on the £500m increase in its tax bill plus the slump in chemical and oil product trading.

BP, Britain's biggest industrial concern, said its oil production tax bill for the first quarter of this year was 115 per cent higher than last year's. The group stated that the benefits of higher crude oil prices were "largely lost to increased taxes in the U.S." and were "entirely removed in the UK by a larger tax bite—including, the first instalment of the new supplementary petroleum duty."

Depressed markets for oil products and for chemicals were also an important factor in BP's profit fall. On a current cost basis—allowing for inflation—its net profits for the first three months of this year were only £10m—93 per cent down on the same period in 1980.

BP's chemical businesses made an operating loss of £36m—and the UK accounted for £34m of this. BP Chemicals, which made a profit of £21m in the first quarter of 1980, said yesterday that chemical prices were still weak and competition in the market was strong.

It warned that "urgent action" was being taken to cut costs and to improve efficiency which raised the spectre of further plant closures and job losses. The possibility of pulling out of certain chemical businesses altogether had not been ruled out.

BP's oil products business also came under strong pressure during the period because of poor demand coupled with the current glut of crude and crude products on world markets.

The group said yesterday that consumption of oil products such as petrol and heavy fuel oil in the UK had fallen to the levels of 1966. Meanwhile, refineries in Britain were operating at only some 50 per cent of their capacity.

The group's total sales for the first three months of this year were £6.772bn—£284m more than last year. Pre-tax profits were £1.348bn—£5m higher than in 1980. BP shares closed at 372p—up 2p on the day.

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Lex Back Page

French Left parties sign election agreement

By Robert Mauthner in Paris

THE FRENCH Socialist and Communist Parties yesterday reached an electoral agreement which is likely to give the Left-wing parties an absolute majority in the new National Assembly. The deal leaves open, however, the controversial question of Communist participation in the Government.

After three days of negotiations between delegations led by M. Lionel Jospin, the Socialist Party First Secretary, and his Communist opposite number, M George Marchais, it was simply agreed that both parties would support a single candidate of the Left in the final ballot of the two-round parliamentary elections.

Whether that candidate will be a Socialist, Communist or Left-wing radical will depend on who is the leading representative of the Left in the first round of the election which is due to take place on June 14 and 15.

The joint declaration adopted by the two parties emphasises that the aim of the agreement is "to form a coherent and durable (parliamentary) majority."

Though the Communists have not bowed to the Socialist demands on all issues, there can be no doubt about who emerges from the negotiations as the victor.

The Communists have accepted an electoral arrangement which is almost certain to give the Socialists a dominant role in the new parliament and government, without obtaining any commitment in return on the appointment of Communist ministers by President Francois Mitterrand.

The Socialists have also made it clear that they will not agree to govern jointly with the Communists unless the Communists accept the tough Socialist conditions to which they have so far declined to subscribe.

Though the Socialist-Communist declartion puts the two main partners of the Left in a strong position to win the forthcoming election, it falls far short of a common government programme and frankly recognises important areas of disagreement.

It is clear that President Mitterrand intends to keep his options open until he has seen what the relative strengths of the parties are in the new parliament.

The declaration, while mentioning a long list of issues on which the two parties are agreed, mainly in the social sphere, has some significant gaps, thereby underlining the fundamental differences between the Socialists and Communists on a number of crucial domestic and foreign policy problems.

Transport union delays decision on backing Benn

BY RICHARD EVANS AND CHRISTIAN TYLER

MR. TONY BENN, having rejected Mr. Michael Foot's challenge to fight him for the leadership of the Labour Party, was thrown further on to the defensive by tactical moves from Mr. Foot and the Transport and General Workers' Union.

The left-led Transport union confirmed it would not give any sign who it would support until September, after nominations for the deputy leadership race formally close.

Although this was described as a purely procedural matter, the fact that the TGWU's 1.25m block vote—the biggest at the party conference—remains uncommitted creates considerable uncertainty for Mr. Benn's campaign team.

Coming so soon after Mr Foot's dramatic intervention, it could slow the momentum of Mr Ben's campaign for trade union votes. Some senior lay leaders of the TGWU are known to be deeply hostile to Mr Benn because of his tactics, not his policies, which are in any case drawn largely from the trade union left.

One view yesterday was that Mr Foot's challenge, although rebutted by Mr Benn, has changed the whole climate of the contest for the deputy leadership.

Mr Foot, who received overwhelming support from Labour MPs for mounting his challenge, told colleagues he intended to seek a firm pledge from Mr Benn at next wek's Parliamentary committee meeting that he would abide by the leadership's version of Shadow Cabinet collective responsibility.

If he declined to give such an assurance, as seems probable, Mr Foot intends to take the matter to the Parliamentary Labour Party where Labour MPs wil be asked to give their verdict on the running battle between Mr Benn and his Shadow Cabinet colleagues.

The final decision for the TGWU rests with its 40-strong Labour party conference delegation, and will be taken on the very day of the voting in Brighton. But the delegation will be advised by the general executive councillors, who make up their minds in mid-September after consultation with regions and branches.

Mr Alex Kitson, acting general secretary, refused to say whether the TGWU would back Mr John Silkin in preference to Mr Benn.

Mr Kitson, who is also chairman of the Labour Party, also refused to comment on Mr Foot's initiative, which he said had not been raised at the executive yesterday morning.

With Mr Benn's absence yesterday from Westminster following his admission to hospital for tests for a suspected viral infection, his political associates were clearly angry and distressed at Mr Foot's mov eto reassert his authority.

Mr Benn's supporters accused the "cautious careerist left" of conducting a witch-hunt against him, and Mr Foot of adopting a crude and clumsy ploy to harm Mr Benn's campaign against Mr Healey.

If Br Benn is out of hospital in time, next Wednesday's Shadow Cabinet meeting will face him with a further difficult tactical decision. If he agrees to Mr Foot's demand to accept the doctrine of collective responsibility it will be regarded as a submission and a tactical triumph for Mr Foot.

If he declines, Mr Foot will take the matter to the full PLP to obtain the support of Labour MPs. In effect this could mean the expulsion of Mr Benn from the Shadow Cabinet.

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SDP picks chief executive Back Page

£ in New York

	June 3	Previous
Spot	$1.9890-9910	$2.0420-0450
1 month	0.85-0.92 pm	1.10-1.17 pm
3 months	2.60-2.70 pm	3.05-3.15 pm
12 months	6.60-6.80 pm	7.10-7.30 pm

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Spanish bank siege not political, say police

BY ROBERT GRAHAM IN MADRID

A POLICE statement about the 36-hour siege of a Barcelona bank last month has rejected any political motive. The siege had been attributed both by the police and the Government to the extreme Right.

Sr Leopoldo Calvo Sotelo, the Prime Minister, told a special parliamentary session on May 26 that the extreme Right was considered responsible.

The siege began on May 23 when gunmen occupied the five floors of the Banco Central, taking more than 260 hostages. They demanded the release of four key officers involved in the abortive February 23 coup, with an aircraft to fly them to Argentina.

The police statement is based on the interrogation of nine people captured. One got away, apparently mixing with the hostages, and another was killed by police.

Most of those involved had criminal records and Sr Jose Juan Martinez Gomez, the alleged leader, was a police informer. His initial confessions, in which he claimed to be acting for the extreme Right, were changed on May 31. He said the sole motive was financial.

The demand for the release of rebel officers was to give time for an escape tunnel to be dug to the sewers. Another tunnel had been dug—coincidentally close to the royal stand for the armed forces' day parade—to conceal weapons and the money if necessary.

Efforts to dig a tunnel in the bank were frustrated by a rock surface.

This version raises many questions. It does not explain why the police were so easily deceived into believing Guardia Civil members were among the raiders; nor does it explain their belief that the initial number of raiders was 24.

It does not offer a sceptical Spanish public sufficient explanation of why 11 common criminals should risk taking almost 300 hostages just to rob a bank.

If this version proves closer to the truth, it scarcely shows the Government in a flattering light. During the siege and for a week afterwards the country was brought to a standstill and the majority reaction was to assume the action was a prelude to a new coup. Eleven gangsters were able to bring the country to its knees.

This thought is no more comforting than the alternative—that there was a political motive with as yet unidentified backers determined to destabilise the country.

Third World deficits worry bankers less

BY STEWART FLEMING

OPTIMISM IS growing among leading international bankers that the world's banking system will manage to finance again the huge current account deficits of the non-oil producing developing countries. The deficits, estimated at about $60bn for last year, have re-emerged in the wake of the second oil price "shock" of 1979-80.

The oil glut and falling prices, are key factors which have led to the downward revision of Opec surplus oil revenue estimates, have raised hopes that banks will not face a prolonged period of recycling petro-dollars as had been feared only a few months ago.

It is hoped, too, that a sharper reduction in the Opec surplus, from the $115bn estimated for 1980, together with the *self-imposed adjustments* being made by developing countries themselves will reduce their current account deficits and the immediate recycling problem.

According to Sir Jeremy Morse, chairman of Lloyds Bank, many bankers attending the international monetary conference in Lausanne believe that the process of adjustment to, and the financing of, the second oil leap "looks to be once again manageable."

However, the most encouraging assessment of the current outlook is far from universal and seems to be more prevalent among U.S. bankers.

It is recognised, for example, that some of the developing countries have been less successful than others in adjusting to the rise in oil prices. There are fears, also that it is the developed, not the developing, countries who will be able to reduce their account deficits more quickly as a result of lower oil prices.

In addition, concern has been expressed that the current slack in the oil markets will lead to a renewed surge in *prices once supply* and demand return to balance.

On this view, the sharp reduction in oil demand in the West should not be attributed exclusively to price-induced conservation but equally to the cyclical weakness of the Western economies.

PRICE REBELS COULD FACE HEAVY FINES

Brussels threat on steel

BY JOHN WYLES IN LUXEMBOURG

TH EUROPEAN Commission warned yesterday that EEC steel companies which undermine the industry's bid to raise prices by 15-20 per cent could face fines of up to 1 per cent of annual turnover and the withdrawal of government subsidies they may be receiving.

This tough new approach was declared here yesterday by Viscount Etienne Davignon, the Commissioner for Industry, to a meeting of the 10 Industry Ministers. At the same time, ministers *endorsed the partial* extension for a year, from July 1, of the EEC's mandatory production quota system for steel.

This move has been forced on government's by the failure of the Community's 15 largest companies to agree on voluntary quotas for steel coils, which account for close to 50 per cent of their output.

Production of coils, therefore, will be limited by legal *measures, while* the 12-month voluntary system will cover steel plates and heavy sections (20 per cent of total output) and also wire rod (11 per cent). For the moment, though, the undertaking on this last category will run for three months.

The regime of covering rectifying bars and merchant bars (19 per cent) remains uncertain, but the Commission will make further efforts between now and June 24 to encourage a voluntary accord between producers, which include several small independents. If the Commission fails, the UK and several other member states will press hard for the inclusion of these products in the mandatory system.

Viscount Davignon's warning on prices is meant to seal the credibility of this new attempt *to pull the steel industry out of* its deep crisis. The compulsory quotas which have been operating since October have *failed to produce the hoped for* prices recovery. The Commission is determined, therefore, to institute the tougher and more comprehensive control system which will cover both independent steel traders and those tied to steel companies.

The Commission has revealed, meanwhile, that it is urging Italy to exclude steel products from the 30 per cent import deposit scheme announced last week in defence of the lira. It argues that the steel recovery plan being assembled here yesterday requires Italy to avoid any protection of its domestic market if it is to share in the benefits of a general EEC steel recovery.

● The Commission has started *work on an EEC budget reform* scheme broadly reassembling the British Government's demand for a transfer of resources from rich to poorer member states in order to reduce permanently the UK's payments to Brussels.

During the next 10 days a group of Commisisoners will meet to devise a budget *mechanism* which will be put to member governments, together with common agricul*tural policy refor mproposals*, in the last week of this month.

The Commission has also endorsed its long standing position that the current limit on the EEC's budget revenues of 1 per cent of member states' value *added tax payments to Brussels* cannot be retained indefinitely. It will acknowledge, however, that this ceiling is needed, possibly for the next three to five years, as a discipline to ensure that sufficient CAP spending reforms are agreed between the Ten.

Dutch bank may cut staff by a quarter

By Charles Batchelor in Amsterdam

WESTLAND-Utrecht Hypothe bank (WUH), the largest of the Dutch banks specialising in mortgage lending, has said it may have to shed 250 of its 920 staff in what would be the largest redundancy operation by a Dutch bank since the war.

It blames high rates of interest—currently about 12.5 per cent—and the collapse of the housing market.

Bank demand for staff has expanded over the past decade in spite of lay-offs in many sectors of manufacturing industry. The banking workforce in the Netherlands numbers more than 90,000.

Amsterdam-Rotterdam bank (AMRO) announced recently there would be no expansion of its staff this year from the 23,971 level in January. Algemene Bank Nederland (ABN), which has 27,837 employees, said it expects no increase in staff this year.

The Netherlands Trade Union Confederation (FNV), which is the largest union *organisation, said it was* "exceptionally gloomy" about the prospects for bank employment.

The recession and plans for large-scale *automatisation* expected to reduce employment opportunities, the union said.

It would fight the proposed lay-offs at WUH. It blamed the Government's large bud*get deficit for pushing up* interest rates and called for high-level negotiations between bank employers, the unions and the Government.

The specialist mortgage banks such as WUH have been hit harder by the property downturn than the general banks as they do not have non-property related activities. Most house buying in the Netherlands is financed by the banks and all major institutions have large mortgage lending subsidiaries.

WUH's 1980 net profit was reduced to Fl 20m (£4m) in 1980 from Fl 56m the year before and the bank cut its dividend by a third. The main *drain on profits was interest* charges incurred on unsold property worth Fl 250m.

A number of foreign banks have closed their Dutch offices or reduced staff over the past year or so. Bank of Montreal shut its Amsterdam branch in 1979. Bank of America recently cut staff levels.

People laid off by foreign banks have found jobs with Dutch banks but this is unlikely to continue, the trade union confederation said.

Unemployment is at a post-war high in the Netherlands with 8 per cent of the working population, or 340,700 people, without a job, according to seasonally-adjusted figures for March.

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Banks delay talks with Poland on renegotiating debts

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE taskforce of international banks which is co-ordinating debt renegotiation talks with Poland has postponed its next meeting for a week to allow U.S. banks more time to thrash out a common stand on the issue.

Originally scheduled for June 17, the meeting is now expected to take place in Paris on June 24. Its purpose will be to review the response of all the banks involved in Polish debt to rescheduling proposals transmitted to them following the last taskforce meeting on May 20 in Frankfurt.

National groups of banks are currently meeting to consider these proposals which would allow 95 per cent of commercial bank debt falling due between March 26 and December 31 this *year to be rescheduled* for 7½ years at a margin of 1¾ per cent over London interbank rates.

The amount of debt involved is believed to be around $2.4bn.

It is acknowledged that U.S. banks have taken a generally harder line on the issue than their counterparts in Europe. They will be meeting in New York and Chicago over the next two weeks to work out a detailed response.

Meanwhile, another deadline is looming—the June 10 repayment date on a $30m floating rate note issued in 1976 by Bank Handlowy, Poland's foreign trade bank. Bankers yesterday said they were still highly uncertain whether Poland will meet this repayment obligation.

If it does not, there is a strong risk that non-banking holders of the notes might sue for recovery of their money which in turn could set off a chain of defaults covering bank loans as well as other security issues by Poland.

Chorus of criticism grows more strident

BY PAUL LENDVAI IN VIENNA

DEEPENING CONCERN about the renewed possibility of Soviet intervention in Poland is overshadowing discussions between Mr Lazar Mojsov, the Yugoslav party chairman, and Mr Janos Kadar, his Hungarian counterpart, which began yesterday in Budapest.

Mr. Kadar; talks with Yugoslav party chief.

On the eve of the first high-level talks since Mr Mojsov took over the post last year, the official Yugoslav news agency warned that "what appears to be the final and decisive stage of the political battle within the Polish party has begun in anticipation of the extra-ordinary party congress next month."

Last night, Mr Kadar, in welcoming his Yugoslav guest, spoke at a dinner about an "open and comradely" atmosphere, indicating some disagreement. He nor Mr Mojsov mentioned Poland specifically, however.

The Hungarians are growing increasingly pessimistic about Poland. Though still more restrained than in East Germany and Czechoslovakia, the Hungarian media has also been printing articles indicating a mounting crisis and the threat of anarchy in Poland.

Nepszabadsag, the communist party newspaper took very seriously the "anti-Soviet provocations" of the past few days and warned that "the united action of all responsible forces" was "more than ever necessary" in the face of the "growing danger."
abroad.

In common with most other Eastern bloc newspapers, Nepszabadsag reprinted an alarmist editorial in the Bulgarian party newspaper, Rabotnichesko Delo. It warned that the projected amendments to the rules, programme and leading bodies of the Polish Communist Party had raised hopes among the enemies of socialism in Poland and abroad that the Polish party will be transformed into a "reformist party." The newspaper stressed that the anti-socialist and anti-Soviet forces were growing steadily stronger.

The same line was repeated yesterday by Rude Pravo, the Czechoslovak central party publication. The "crisis is becoming deeper, hostile attacks on the foundations of socialism are being stepped up and there is a rising crime rate," the paper said. It also hinted that there was "grave concern over the social character of the Communist Party because only relatively few workers were elected as delegates to the forthcoming party congress."

Meanwhile the Bratislava Pravda, organ of the Slovak branch of the party, has criticised "Polish ideologists" who have repudiated the leading role of the party.

MITTERRAND BACKS AWAY FROM A NUCLEAR HIATUS

Why France will continue N-tests

Within days of announcing a freeze on nuclear weapon testing in the South Pacific, the French Defence Ministry appeared to have second thoughts and assured a puzzled world that the stop was only temporary. The political reasons for the decision are still unclear but, as **David Fishlock**, Science Editor, explains, there are pressing technical and scientific constraints which oblige nuclear powers to run regular tests on their deadly arsenals.

BRITAIN'S FIRST nuclear weapon—a bomb—showed a marked reluctance to leave the V-bombers.

Conventional bombs, nose-heavy by virtue of a vast amount of steel casing round the high explosive, fell readily from the bomb bay. The nuclear bomb, although very big, was essentially a few kilograms of plutonium wrapped in uranium. So different were its ballistics that it tended to hug the aircraft instead of falling away cleanly to the ground.

Nuclear tests are carried out for one main and some lesser reasons. The main reason is to test the complex package put together by the nuclear warhead designer. So complex is the physics of nuclear reactions that even today, 36 years after the first nuclear explosion, even the most experienced weapon designers still cannot be absolutely certain of their calculations. Tests do go wrong.

A lesser reason for nuclear weapon tests is to test modification of a weapon during a lifespan which may be as long as 20 years. The designers want to be sure that the modification has upset nothing else in such a complex system.

A third reason is to test an ageing stockpile. This is done only rarely, however, because so little reliable information can be gained from a single weapon plucked from a stockpile and then necessarily interfered with extensively to adapt it for an underground test.

Underground testing was begun in the 1960s, as the U.S. and Russian response to the Partial Test Ban Treaty forbidding atmospheric explosions. It was only partial because both nations knew they would need tests if they were to develop new weapons. France was not party to this treaty and continued with atmospheric tests. Only recently has it gone underground.

In one sense, the treaty complicated life considerably for the weapon designers of the nuclear weapon states, for they could learn a lot from atmospheric emissions about the lines of development of each other's designs. But the political pressure to stop the radioactive pollution was overwhelming. As a result the U.S.—and presumably Russia—has developed a remarkably sophisticated system for testing weapons underground, in man-made caverns evacuated to a very low pressure to simulate conditions high in the atmosphere.

Not least of the tricks of this technique is one which allows the scientists to expose nuclear weapon systems to the gigantic blast of "prompt" radiation—X-rays, gamma-rays and neutrons—delivered by a thermonuclear (H-bomb) explosion. This radiation blast not only administers what one scientist calls a "dirty great kick," more vicious than the shock of launching the weapon, to anything in its path. It can also interfere seriously with electronic circuits, and nuclear weapons depend totally on electronics.

The trick of successful underground testing, therefore, is to use it simltaneously to demonstrate a new design and to see how that design will itself resist the explosion of an enemy's nuclear weapon, say from an anti-ballistic missile far out in space.

It means, in effect, finding a way of allowing the blast of "prompt" radiation from the nuclear explosion to strike the systems being tested for "radiation hardness," yet being able to slam the door shut against debris from the underground explosion, which otherwise would demolish the test systems.

Britain uses the U.S. underground test facilities in Nevada. It conducts an average of about one test a year. It stopped testing from 1965 to 1974, but continued to discuss the results of U.S. weapon tests with U.S. weapon designers.

Britain resumed weapon testing six years ago, with the first test of the £1bn Chevaline programme, leading last year to the Government's announcement of a successful new Polaris warhead.

France has no such collaboration, with the U.S. or any other nation, on nuclear design which would allow its designers to weather a long hiatus in weapon testing.

Norwegian group seeks oil field go-ahead

BY FAY GJESTER IN OSLO

THREE NORWEGIAN oil companies which share the licence for the promising "gold block" oil and gas field in Norway's part of the North Sea have urged Parliament to give the go-ahead this month for the field's development, so that tenders for the project may be sought during the summer.

Statoil, Norsk Hydro and Saga claim that delaying a decision until after the September general election would make it impossible to keep to their development timetable. This would mean postponing work, which could keep Norwegian platform yards busy in 1984 and 1985 when a serious gap in order books is expected.

Their joint plea came in a letter to the Parliament's Industrial Affairs Committee, which has been considering a package of North Sea proposals submitted by the Government. The proposals, due to be debated next week, include: a Norwegian sector gas-gathering pipeline from the Statfjord field to West Germany, via Norway and the Ekofisk field; approval of a gas field project (Heimdal); and the approval "in principle" to develop the "gold block."

Many opposition MPs would like to delay a decision on the "gold block" until detailed plans are available. This is the first time that Parliament has been asked to approve a field development before plans for it were finalised.

Critics of the scheme say Statoil, the state oil company, is pushing it through now because it fears that the Labour Party may lose power in September and that a new, non-socialist government might put the company on a tighter rein.

The Government, meanwhile, has refused a request by the insurers of the capsized Alexander Kielland hotel platform to increase the state's guarantee commitment over plans to right the platform.

The insurers' original estimate to right the Kielland was NKr 50m (£4.2m) of which the Government agreed to underwrite NKr 40m. Later, it doubled this estimate and sought guarantees of NKr 90m. Ms Kari Gjesteby, the Minister for Shipping, says the Government does not accept the new estimates.

E. Berlin hits back at Begin accusation

By Leslie Colitt in Berlin

EAST GERMANY has delivered a stinging response to charges by Mr Menahem Begin, the Israeli Prime Minister, that all Germans were responsible for the Holocaust. It has accused Israel of carrying out an occupation policy based on the same "fascist lies" used by Adolf Hitler.

The sweeping East German condemnation was issued although Mr Begin never mentioned East Germany, which has long been militantly anti-Israel.

The East Berlin broadside, which appeared in a Foreign Ministry publication, contrasts sharply with Bonn's mild official reaction to Mr Begin's fierce verbal attacks against Chancellor Helmut Schmidt, whom he called a "Nazi officer."

Horizon, the East German weekly, accused all Israeli governments, including the Begin administration, of conducting an "extermination policy" against the Palestinians and a "campaign of annihilation" outside Israel's borders.

The article, written by the Government's chief political commentator, charged that Israeli Prime Ministers down to Mr Begin have stolen land under the slogans of "Blut und Boden" ("blood and soil") and "Volk ohne Raum" ("a people without space") used by the Nazis.

It was amazing that a people which had physically suffered the worst cruelties could carry out such policies, it said.

"But just as German facism was the worst enemy of the German people," it said, "zionism is the worst enemy of the Jews."

EEC trade gap with Soviet bloc widens

The European Community's trade deficit with the Soviet Union doubled last year compared to 1979 to reach $4.8bn, Commission officials told Reuter in Brussels. The deficit with Moscow's East European allies and Albania also rose steeply to a record $4.3bn compared to $1.2bn in 1979. Rising sales of energy products were a principal cause of the marked increases.

Hanoi rebuffs Thais over Kampuchea conference

BY DAVID BUTLER IN BANGKOK

AN ATTEMPT by Thailand to persuade Vietnam to attend a United Nations conference on the future of Kampuchea next month has failed.

After two days of talks in Rangoon, the Deputy Foreign Ministers of Thailand and Vietnam said they had had a "frank and useful" exchange of views, and had agreed to meet again on an as-yet-undecided date.

Mr. Arun Panupong, the Thai Deputy Foreign Minister said on his return to Bangkok that Thailand had failed to persuade Vietnam to take part in the conference, due to begin in New York on July 15.

Mr Vo Dong Giang, Vietnam's Deputy Foreign Minister, who accompanied Mr Arun on the flight to Bangkok, did not speak at the airport press conference.

Diplomats said that a main topic in the eight hours of meetings between the two delegations in the Burmese capital was the fate of more than 100,000 Kampucheans, still in camps and makeshift settlements along the Thai-Kampuchean border.

The Association of South East Asian Nations (ASEAN)—which comprises Thailand, Malaysia, Singapore, Indonesia and the Philippines—and the Communist Indochina bloc dominated by Vietnam have offered differing proposals on the refugees, who fled war and famine in Kampuchea in late 1979 and early 1980.

In recent weeks, senior Thai military officers and politicians have said they want to repatriate the refugees unilaterally.

This threat has alarmed officials of international relief agencies, who fear that the returning Kampucheans could be caught in fighting between the Vietnamese-led troops of the Phnom Penh Government and the guerrilla remnants of the Khmer Rouge Army, who operate from bases near the border.

India, Pakistan to resume talks

BY K. K. SHARMA IN NEW DELHI

MUTUAL SUSPICION and the Kashmir issue are likely to block the way to early normalisation of relations between India and Pakistan when their Foreign Ministers begin talks in Islamabad on Monday.

The talks, between India's Mr P. V. Narasimha Rao and Pakistan's Mr Agha Shahi, are the first to be held since Mrs Indira Gandhi returned to power as India's Prime Minister in January, 1980.

In recent years two developments have added strain to relations between the countries. The first was the Soviet invasion of Afghanistan and India's ambivalent attitude over the issue when Pakistan felt directly threatened.

The second is the continuing Indian fear that Pakistan has decided to develop nuclear weapons. Mrs. Gandhi is thought to be countering this by further developing India's nuclear potential and a delivery system. Neither country admits weapons programme.
to having launched a nuclear

Relations between India and Pakistan have been sour ever since they became independent in 1947. Since then, they have gone to war three times—in 1948 and 1965 over Kashmir and in 1971 over Bangladesh.

An attempt to clear the way towards normalisation of relations was made in 1972 when Mrs. Gandhi and Pakistan's then Prime Minister, Mr. Z. A. Bhutto, signed an accord after talks in Simla. This lays down a "step-by-step" approach and called for creation of cultural and trade links before the Kashmir issue was tackled.

Some cultural exchanges have taken place but trade between the two nations is nominal, mainly because Pakistan is unwilling to have commercial relations with India's public sector trading agencies. However, Pakistan agreed recently to import Indian iron ore.

7% rise likely for Japan's defence

BY RICHARD C. HANSON IN TOKYO

JAPAN'S Defence Agency budget, as well as foreign aid funds, for the next fiscal year will again be exempted from a tight ceiling on requests for budget increases under a plan being discussed within the Government.

According to a tentative estimate of the 1982 budget for the year commencing April 1, the overall increase in unfixed spending will be limited to 1.8 per cent, compared with a 4.3 per cent rise this year.

The Defence Agency is likely to be allowed to ask for a rise of 7 per cent in nominal terms compared with the 7.6 per cent increase allowed in the current year's budget.

The budget request for foreign aid is to be permitted a rise of 11.4 per cent.

The Defence Agency apparently began discussions with the Ministry of Finance with the idea of asking for an 11 per cent increase. Given that the Finance Ministry is adopting a "no increase" policy for all other budget items, the agency was asked to pare down its initial request.

The final rate of increase could be less than 7 per cent, depending on negotiations within the Government over the next few months. The budget draft is normally compiled by the end of the calendar year.

● Three thousand riot police have moved into position to guard the U.S. navy base at Yokosuka from demonstrators protesting against the arrival today of the aircraft carrier, Midway. The protests have been called because of suspicions that the Midway is carrying nuclear weapons.

The Japanese Communist and Socialist Parties estimate that 10,000 people will take part in the demonstrations.

South African car workers win reinstatement strike

BY QUENTIN PEEL IN JOHANNESBURG

SOME 3,000 black workers in South Africa's motor industry started to return to work yesterday, claiming victory in a mass sympathy strike for the reinstatement of 160 colleagues.

The men, members of the *Motor Assembly and Component* Workers' Union, a radical black trade union centred in Port Elizabeth, agreed to go back to work when the Firestone Tire company promised to reinstate the 160 men who were dismissed after a strike earlier in the year.

Ford and General Motors have also been hit by the dispute, which began two weeks ago when two Ford workers were dismissed for refusing to handle Firestone tyres. All three companies have been involved in the negotiations.

The settlement is not a complete victory for the union, which initially called for the immediate reinstatement of all the Firestone workers. Twenty-one of the men are to be reinstated immediately and the remainder as jobs become available at a minimum rate of 15 a month.

The result is likely to strengthen the position of the militant union. Established only in the last six months, it has shown that it can challenge successfully the major multinational motor companies.

Although the dispute was in violation of South African labour law, neither Ford nor General Motors dismissed any of the strikers as would be normal with South African employers.

The response of both major motor manufacturers in Port Elizabeth is in contrast to that of Leyland South Africa, BL's subsidiary based outside Cape Town, which recently sacked 1,900 men who walked out over a pay dispute.

Meanwhile, South African police clashed for the second day in succession yesterday with coloured (mixed race) children in Johannesburg, and used tear gas, rubber whips and batons to disperse demonstrations.

Mr Louis le Grange, the Minister of Police, said: "Schoolchildren who do not obey requests from the police, and throw stones or bombs at my police, must not expect any leniency."

The main incident yesterday was at the Riverlea High School, the latest coloured school to join in protests at the detention of a student leader last week. Police charged students, who had gathered in the school yard, to demonstrate their sympathy with others arrested yesterday.

Mugabe sets his sights on a troubled economy

Zimbabwe's political problems are all but over, writes **Tony Hawkins** in Salisbury

SOME 38 railway wagons rumbled into Inkomo barracks, just north of Salisbury, late last month carrying tons of weapons taken from two camps occupied by former guerrillas.

Mr. Robert Mugabe, the Prime Minister, has won a remarkable triumph for his policy of reconciliation by disarming the Zanla guerrillas loyal to his ruling Zanu-PF party at Middle Sabi, in the south-east, and the Zipra guerrillas loyal to Mr. Joshua Nkomo, leader of the Patriotic Front, the junior partner in the coalition Government.

In the past seven months, bitter fighting between the two ex-guerrilla armies has taken 400 lives. And after the February violence, there were deep-seated fears that the truce imposed by the white-led national army would prove short-lived.

Mr. Mugabe recognised that political stability would be hardly attainable until the guerrillas had been disarmed and integrated into the new national army or demobilised. The disarmament programme ended last month.

The most sensitive operation was the disarming of Mr. Nkomo's men, suspicious of the majority party and worried that losing their weapons would further erode the position of Mr. Nkomo who has been pushed further into the background in the 15 months since independence. But fears that tribal and political rivalries would be rekindled proved unfounded. "It went without a hitch" one military official said—a comment no one would have thought possible only two months ago.

By late this year Zimbabwe should have a 65,000-strong national army, mostly former guerrillas (with Zanla outnumbering Zipra roughly two to one), but with an important black element from the former Rhodesian Army manning specialised units.

The defusing of the military problem has been accompanied by improved political relations between the two coalition partners, and some evident consolidation of the Prime Minister's personal standing in Zimbabwe and internationally.

But whether Mr Mugabe has made political inroads into traditional Nkomo territory will become clear only after this month's local elections in the south-western city of Bulawayo.

But Mr Mugabe can reap some quiet satisfaction at what is happening in white politics. Not only is evidence mounting that the remaining 200,000 whites are disillusioned with the official opposition (Mr. Ian Smith's Rhodesian Front), but a new white party will contest two by-elections in the next five weeks.

Little evidence exists to suggest any real enthusiasm for the New Democratic Party, led by a former Smith government minister, Mr Andre Holland. Indeed, Zanu-PF claims significant numbers of whites are joining the majority party, turning the backs on the "racial" parties. But it is also true that substantially larger numbers are voting with their feet. Latest figures put emigration at 5,300 in the first quarter of 1981 — 80 per cent higher than in the same period last year.

While this is being partially offset by immigration — a fair number of whom are black Zimbabweans — the net migration is averaging 1,000 a month and is likely to rise over the next quarter.

Three inter-related constraints are now slowing economic expansion and fuelling inflation: the shortage of skills, especially of technical skills; the shortage of transport; and the shortage of foreign currency. The shortage of skills is reflected in some sectors in lower productivity and an inability to maintain exports, while the transport bottleneck is partially attributable to a shortage of railway artisans.

The transport constraint looms large because of Zimbabwe's near-total dependence on South Africa's railways and ports, unless and until Mozambique's ports and railways improve. Little evidence suggests Pretoria is yet putting economic pressure on Salisbury: its decision to withdraw 24 diesel locomotives from Zimbabwe Railways was quite in line with the contract, while the end of the special trade agreement early next year is rather a reflection of the end of the "special relationship" main*tained during sanctions.*

The transport problems must worsen later this year as the South African transport system takes on the heavy seasonal traffic in coal and maize, which suggests that Zimbabwe's own maize exports are likely to be given very low priority. After a bumper season this year, Zimbabwe will produce an estimated 3m tonnes of maize, of which about 1.3m tonnes will be available for export. About 300,000 tonnes has been sold for Z$40m (£28m) to neighbouring countries (Zambia, Zaire, Malawi and Mozambique), but a very substantial amount may be left. There are hopes in Salisbury that the European Community will help to finance the stockpile, which could tie up some £80m over 12 to 15 months.

Despite the constraints, the economy will grow very rapidly *in 1981—at least 8 per cent in* real terms—mainly owing to the huge rise in maize production, the buoyancy of consumer spending, which increased by 33 per cent last year, and the high tobacco prices at the Salisbury auctions.

Tobacco exports should add at least Z$30m to exports this year and this should help to offset lower earnings from most other leading commodities: copper, nickel, gold, cotton, meat, ferro alloys, sugar, and steel.

Zimbabwe stopped selling *gold in September last year* and has apparently since then been stockpiling its production (370,000 ounces in 1980), awaiting higher bullion prices. Without gold exports (gold was second only to tobacco last year and was valued at £80m) export earnings will fall materially in 1981, implying that at least some gold is likely to be sold later in the year.

But inflation is clearly a matter of concern. Prices in*creased by 6.5 per cent in the* first quarter of 1981 and over the year inflation is expected to exceed 15 per cent. Now that the main political problems, other than relations with South Africa, have been dealt with, Mr Mugabe will have to come to grips with economic difficulties. Not the least is the need to ensure that black aspirations are not lost sight of as inflation mounts and pressures are put *on the Government to cut public* spending.

Uganda plans to 'put some sense' back into economy

BY MARK WEBSTER

THE UGANDA government plans to cut budgetary expenditure and rein in the growth of money supply to back up this week's devaluation of the Ugandan shilling which has sent the value of the currency plummetting.

Mr Shafiq Arain, the Ugandan High Commissioner to London and a Minister without Portfolio in the Government of Dr Milton Obote said yesterday that the devaluation was only the first in a series of measures to put some sense back into the crippled Ugandan economy.

In his budget speech earlier this week, President Obote said the economy needed major surgery and that in addition to floating the shilling, domestic prices would be decontrolled, government spending contained, and the growth of credit to the public sector restricted.

The overall balance of payments deficit could be cut from $200m (£100m) in 1980 to about $147m during the current year, he added. At the same time, some $50m in arrears of short-term debt would be paid off.

Floating the currency was agreed with the International Monetary Fund in return for $197m in balance of payments support.

Uganda also stands to receive $70m from the World Bank and $121m from the EEC.

Mr. Arain argued, however, that the devaluation would have little impact on domestic prices.

Why Habib should find Mideast going a little easier

BY ANTHONY McDERMOTT IN DAMASCUS

WHEN Mr Philip Habib, President Reagan's personal envoy to the Middle East, returns to the region soon for his second round of shuttling, he will find some changes.

First, the tension between Syria and Israel has been greatly reduced. Secondly, Saudi Arabia and Kuwait are now involved as mediators on the Arab side. That does not mean that direct pressure is being brought on Syria to withdraw its Sam-6 weapons from the Bekaa Valley. But it does imply wider Arab involvement in efforts to solve Lebanon's problems, among them the future of the Syrian-dominated Arab Deterrent Force.

It is always risky to forecast that war will not break out. Syria will continue to shoot at Israeli aircraft, manned or unmanned, which fly over Syrian positions both in Lebanon and in Syria. Such action always carries the risk of escalation.

Syria certainly does not want to go to war. President Hafez Assad has said so several times in interviews, and, more recently, Mr Abdel-Halim Khaddam, the Foreign Minister who plays the harder man to Mr Assad's cooler routine in Syrian foreign policy, has repeated this.

Their caution stems, in part, from a realistic analysis of what material support beyond the trumpetings of pan-Arab solidarity Syria could expect.

King Hussein of Jordan, Syria's neighbour and for some months at odds with Damasucs, made it clear in a recent interview that Jordan—with the longest front line with Israel—was interested primarily in defending Jordan.

On the Israeli side, there must be some awareness that "taking out the missiles" is *now a far more complicated and* potentially costly exercise as a result of Syrian reinforcements to the missile defences in the Bekaa Valley than when Mr Begin claimed that inclement weather saved the Syrians from the Israeli Air Force more than three weeks ago.

Both Mr Begin and Mr Assad have gained popularity with their constituents as a result of the crisis. But the vital difference is that while Mr Begin has been *making* the *running* and drumming up tension through military action and erratic words, Mr Assad has remained restrained in his pronouncements and coolly unwavering in his view that the missiles are defensive, that the Syrians are in Lebanon with Arab League blessing and that if anybody is interfering in Lebanese politics *it is Israel.*

Mr Habib's focus will have to be on continuing to restrain Israel. This will leave Saudi Arabia and Kuwait to deal with Syria so that what might eventually emerge is not so much agreements covering specific issues such as the composition of Arab Deterrent Force, Syrian troops on the Sannin Hills, or the siege of the Christian town of Zahle, but a gradual understanding as to what each side *can tolerate without losing face* or resorting to war.

An optimistic analysis is good only for the short term. The mindless shelling by the increasingly overarmed Lebanon factions only widens the political gap between what are loosely called the Christians and Moslems. The basic tensions between the different parties re*main depressingly constant fac*tors and sources of instability.

There is also the question of the Palestinians. During Mr Habib's first shuttle they were remarkably restrained and few if any incidents against Israel were recorded. Israel's power*ful attacks on their positions in* Lebanon as soon as Mr. Habib was clear of the area can only make it harder for Mr Yasser Arafat, the leader of the Palestine Liberation Organisation to *justify a policy of restraint.*

Mr Habib will be continuing what was probably his task in the first place—the containment rather than the solution of the crisis.

Kawasaki claims war damages

TOKYO—Kawasaki Heavy Industries, Japan's major machinery maker, has opened negotiations with Iraq over damages it claims it suffered when construction on cement plants was interrupted due to the Iran-Iraq war, a company official said yesterday.

Kawasaki is believed to be the first Japanese company to claim compensation for damages suffered in a foreign war.

Negotiations with the Iraqi Government began in late October, and a senior Kawasaki official visited the Middle East for further talks in May, the official said.

He did not mention the scale *of the damages sought by Kawa*saki, but the Mainichi Shimbun, a national Japanese daily, said the damage has reached the equivalent of $22.3m (£11m)

AP-DJ

Hopes dimmed for recovery in U.S. car sales

BY IAN HARGREAVES IN NEW YORK

U.S. CAR sales continued in profound slump last month as importers further tightened their hold on the market.

Total sales for the month at 729,000 were 10 per cent higher than in May, 1980, but that month was the worst for 20 years, coming immediately after the Carter Administration's credit controls which pitched the whole U.S. economy into brief but sharp recession.

The industry had been hoping to show some solid gains in May following the mid-month stimulus created by the launch of General Motors' new small car, the J-series.

But the annualised selling rate of about 7.4m units continued at the same pace as in April. This compares with sales last year of 8.9m units and in 1979 of 10.6m units.

Sales of imported cars are estimated to have taken 28.7 per cent of the May market, roughly the same as in April but up from 27.9 per cent in May 1980. Toyota continues to make the most impressive gains, but Nissan (Datsun) is still suffering a slide in market share.

Chrysler's figures were again the most outstanding of the domestic manufacturers, showing a 34 per cent gain from the decimated levels of a year ago when the company was in the middle of its financial trauma. Ford sales were up by 9.2 per cent and GM's by 5.6 per cent.

Industry analysts are worried that recent increases in car prices and the high base price put on the J-car are squashing what hope there was of a spring recovery in the market during a period of restrictively high interest rates.

Victor Mackie adds from Ottawa: Total Canadian sales of North American built cars and trucks slipped 2.8 per cent to 90,685 units last month. Passenger car sales were off 3.9 per cent at 64,300, while truck sales declined a fraction of a percentage point to 26,385 units.

Long-range missiles get go-ahead

By David Buchan in Washington

THE REAGAN Administration has taken a significant step away from the never-ratified Salt II (Strategic arms limitation) agreements and given the U.S. the go-ahead to build long range Cruise missiles to put on its ships and submarines, according to Press reports here.

The Washington Star reported yesterday that the Navy hoped to have the extended range Cruise missiles on some vessels within a year, with a sizable striking force by 1985.

The move would reflect President Reagan's determination not to be bound by the Salt II accords, signed by Presidents Carter and Brezhnev in June, 1979, which Mr. Reagan said were "fatally flawed" because they hampered the U.S. more than the Soviet Union.

Along with the Salt II treaty proper was a protocol limiting to 600 kilometres the range of cruise missiles launched from land or sea. But this protocol was set to expire in any case in December, only seven months away.

The Administration evidently wants to capitalise on the Americans' technological lead in cruise missile production. The missiles are flying bombs powered by jets and guided by computer to fly at tree-top level, below Soviet radar range.

However, the move may well prompt the Soviet Union to try to match the U.S. technology. Should it succeed the U.S. would be badly placed since it has nothing like the air defence capability that hte Russians have.

Poll upset in Canada steel union

Mr David Patterson, who took a leading role in the 1978-79 strike at Inco, Canada's largest non-ferrous metals company, has won the post of Ontario director of the United Steel Workers of America, Robert Gibbens reports from Montreal. He edged out Mr Stewart Cooke, who had held the office since 1977.

The vote for Mr Patterson is expected to stiffen opinion within the 190,000-member Canadian section of the USW for a separate constitution, and ultimately separation from the international union.

Salvador curfew cut

EL SALVADOR'S Government has reduced the country's nightly curfew by one hour because of a fall in the level of violence, Reuter reports from San Salvador. "There has been a notable improvement in the violent situation in the country, a Presidential official new post in September.

The curfew was first imposed in January in response to an offensive by leftist guerrillas seeking to oust the ruling military-civilian junta.

Britain is to contribute £100,000 to an appeal by the International Red Cross to aid people in El Salvador who are displaced by the violence, Mr. Neil Marten, British Minister for Overseas Development, announced in

Anguilla election

Anguilla will hold its second general election in little more than a year on June 22, the Government announced yesterday, AP reports. Officials said Mr Ronald Webster, the Chief Minister, called for the election after failing to resolve differences with his Anguilla People's Party.

ARGENTINIAN PESO

Markets caught out by devaluation

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE international financial markets were caught unprepared for the 23 per cent devaluation of the Argentine peso which occurred this week. The peso, yesterday at 4,277 to the dollar, had last week been at 3,263.

The market should not have been so surprised. In the years from the military coup of 1976 to the end of March this year, the Argentine currency had been steadily appreciating in real terms against those of the rest of the world until Buenos Aires became one of the most expensive, if not *the* most expensive city in the world for a foreigner to live in.

Expatriates who a decade ago were fleeing the capital because of terrorist activity were at the beginning of this year quitting because they could not afford it.

Encouraged by high interest rates, a flow of foreign funds and the economic policies of the then economic overlord Dr Jose Alfredo Martinez de Hoz, the peso lost its value against foreign currencies at the rate of some 23 per cent, much more slowly than it lost it in the domestic market where inflation in 1980, according to official figures, was nearly 88 per cent.

As a result, imports were dirt cheap and the ability of local manufacturers to compete against them was severely curtailed. A wave of bankruptcies followed and culminated in the billion dollar failure of Sasetru food and financial conglomerate, and the take-over of one of the country's biggest banks.

With the wisdom of hindsight one can say that the 23 per cent devalution of the peso, which took place just before Dr Martinez de Hoz and his master, General Jorge Videla, quit office in March, was not sufficient to correct the distortion

Despite excellent export figures for Argentina's food products, imports were sucked in at such a rate last year that the country registered a trade deficit of $2.4bn, double the previous year's figure. This was mainly accounted for by a rise of no less than 55 per cent in the value of imported goods.

With the presidency of General Roberto Viola, who brought in as his economy minister Dr. Lorenzo Sigaut, there was expectation that the peso would be allowed to drift downward. Sr. Franco Speranza, head of the Metal Industries Association was, however, only last month complaining that the continuing high value of the peso and the high interest rates were producing "an industrial hecatomb."

Official statements that the peso would be allowed to devalue by only 2 or perhaps 3 per cent a month were hard to square with the proclaimed policy of a cheaper peso and a figure for domestic inflation well in excess of 3 per cent a month.

General Viola's economic position was made worse by the suspicion in many minds that he was even less the master in his own house then his predecessor had been.

But as his economic policies are being questioned, Gen. Viola can take comfort from the prospect of a bumper crop of cereals this year and bumper crops of cereals are an almost automatic kuarantee of a payments surplus.

William Chislett in Mexico City and **David Buchan** in Washington, preview Monday's U.S.-Mexico summit

The three big questions for Reagan and Lopez Portillo

JUST BEFORE President Jose Lopez Portillo of Mexico and U.S. President Ronald Reagan met in January, the official Mexican newspaper El Nacional carried a cartoon showing the then President-elect Reagan emerging from an egg with the caption "born senile."

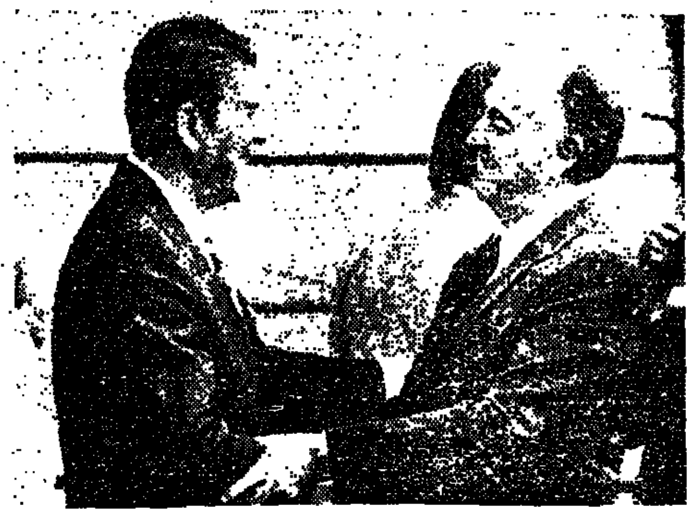
After the meeting, another cartoon showed the two Presidents dressed as cowboys, with the caption "Friends."

The cartoons caught the Mexican Government's sudden change of mood. Mexico's initial reaction to Mr. Reagan's landslide victory was a mixture of apprehension and horror. But then the two presidents met—and hit it off very well. Mr. Reagan in four hours established a better rapport with the lofty Sr Lopez Portillo than former President Jimmy Carter did in four years. Mexico decided Mr Reagan was not so bad after all.

As a Californian coming from a heavily Hispanic state, Mr Reagan has a finer instinct for his oil-rich nationalistic neighbour than Mr. Carter had.

But the many problems, purposely not raised at the symbolic first meeting, have to be discussed when the two leaders meet again on Monday. No amount of back-slapping will make them go away.

There are three broad headings on the agenda for this second meeting: trade; the massive migration of Mexicans to the U.S.; and Central America. Oil is not an issue, despite the rhetoric to the contrary.



The first meeting: Mr Reagan and Sr Lopez Portillo on the U.S-Mexican border.

In essence, President Lopez Portillo will ask Mr Reagan to recognise the interdependence between the two countries by giving Mexico special "consideration."

Mexico feels that, as a major and secure provider of oil and natural gas (some 750,000 barrels of oil and 300m cubic feet of gas a day), as the U.S.'s third largest trading partner (second largest by 1990), and as a developing country and a neighbour, it qualifies for special treatment.

The U.S., on the other hand, feels Mexico should itself start to assume the responsibilities of a richer nation.

Washington's broad aim was stated this week by Mr Thomas Enders, President Reagan's new choice to run his Latin American policy. This was "to achieve with Mexico the relationship of co-operation and mutual sensitivity consonant with Mexico's exceptional role in our affairs and in those of the world."

Stripped of its diplomatic cotton wool, this means action on the two urgent bilateral problems: immigration and trade.

Mexico is most keen for a special trade relationship. Despite steeply rising oil exports, Mexico's trade deficit with the U.S. almost doubled last year to $2.5bn.

The Mexican Government is very concerned at the performance of its non-oil exports, which hardly rose in real terms, partly because they are not competitive, as the peso is overvalued, and partly because goods are now snapped up in Mexico as soon as they are produced.

These are precisely the exports Mexico has to promote if the present boom is to diversify away from the not very labour-intensive oil sector

Thus, the Mexican Government views with great alarm Washington's recent decision to slap countervailing duties on Mexican leather goods because they are subsidised.

A further 1,800 categories of Mexican exports could face a similar fate, and the problem is made more acute by Washington's plans to reduce the number of goods from Mexico allowed into the U.S. duty-free.

The duties problem arises because, aside from rejecting membership of the General Agreement on Tariffs and Trade (GATT) last year, to Washington's profound dismay, Mexico has also not signed the latest GATT code on subsidies and countervailing duties. Therefore Washington has to prove only that goods are being subsidised—not that they are damaging U.S. economic interests—before introducing the duties.

A White House task force is recommending that President Reagan consider granting permanent amnesty to more than 1m illegal aliens in the U.S. and that he double the number of immigrants permitted from Mexico and Canada, AP reports from Washington.

A final draft of a report by the President's task force on immigration and refugee policy also repeats the suggestion that Mr Reagan establish an experimental "guest worker" programme.

The report recommends that the number of immigrants from Mexico and Canada be increased to 40,000 from 20,000—the maximum from any one

Mexico wants to extract a promise that countervailing duties will be imposed only on goods threatening U.S. industries. Otherwise, the Mexicans say, they will take their custom elsewhere.

On the equally sensitive migration issue, a problem deeply ingrained on the Mexican national psyche, there is less friction. Some 1.3m Mexicans live and work in the U.S.

Washington is studying the idea of a "guest workers" programme for Mexican workers, whereby a certain number would be legally assigned every year to the U.S. labour pool

The problem is one of numbers, since Mexico fears the introduction of a low quota and believes Washington would then take a tougher line on patrolling the border and policing employers of Mexican migrants. This exporting of unemployment to the U.S. is a major safety valve for the Mexican economy.

Central America, however, is the issue of most immediate concern. U.S. officials like to claim Mexico will never allow a "third issue" to spoil relations with Washington. Nevertheless, Mexico's present concern about violence in its own backyard should not be underestimated.

Mexico's Central American policy is greatly at odds with Washington and President Lopez Portillo will go out of his way to enforce this point.

It is ironic this gap should have become wider with the advent of Mr. Reagan, whose emphasis on better U.S.-Mexican relations has hit trouble over Cuba. The U.S. leader believes countries like El Salvador deserve military support against Cuban-organised outside interference. President Lopez Portillo believes Cuban activities are exaggerated and indigenous injustice lies at the root of Central American instability.

WORLD TRADE NEWS

ECGD hit by Civil Service dispute

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE MAIN operational offices of the Export Credits Guarantee Department (ECGD) at Llanishen in Cardiff have been virtually cut off by industrial action in the Civil Service, preventing the handling of claims by exporters suffering insured losses in overseas markets.

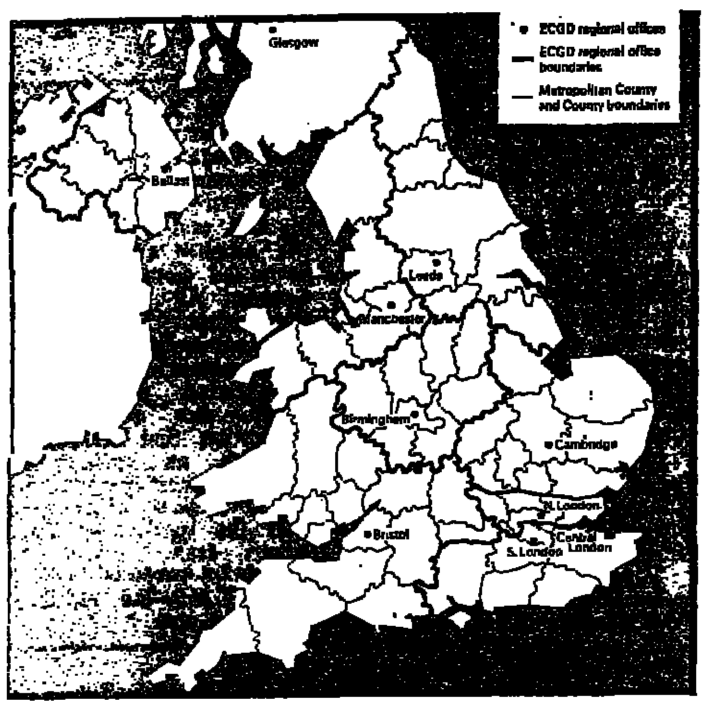
Exporters are not being deprived of insurance cover. The ECGD sent out a circular letter in mid-May warning them that its operations "are being impaired" and laying down the procedures for ensuring that their protection remained in place.

There is some working-to-rule within the ECGD itself, the Department said yesterday, but this is having only a limited effect. Working-to-rule is believed to be taking place at Cardiff and in some of ECGD's ten regional offices.

The main problems faced by ECGD are the result of a spill-over from industrial action in other departments of the Civil Service. The Llanishen offices are part of a government complex and pickets are preventing the flow of documents inwards and outwards.

Most claims cases are being delayed, ECGD said. The effect of this is uncertain on exporters, but undue delay in settling the demands of smaller companies could ultimately damage their cash flow and endanger their ability to sell abroad.

There is also some delay in settling credit limits, insurance coverage for an extended term, which mainly concerns the larger engineering exports, and in dealing with bank guarantee aplications. However, ECGD's letter to policy holders explains how exporters can circumvent the delays.



It seems unlikely that ECGD will permit the handling of claims cases to be put off indefinitely. It may feel forced to seek some means of handling them outside Cardiff.

Nearly all of ECGD's operations have been shifted to Cardiff, including its computer and data processing. The move was completed in April, shortly before industrial action started in the Civil Service. But project business and policy-making is still dealt with in London and remains unaffected.

The ECGD, which insure about a third of the UK's visible exports, will not be well-placed quickly to deal with the unknown size of the backlog of work which is building up. Staff increases have been held back by the economies in the Civil Service.

Indeed, the present problems have come at an embarassing time for ECGD. The move to Cardiff resulted in some dislocation of services, at a time when premiums were being increased. The dust of these changes was settling just as ECGD found its ability to offer its services to business reduced.

Flag draft opposed by Liberia

By Andrew Fisher, Shipping Correspondent in Geneva

LIBERIA and Panama, the two main countries providing so-called flags of convenience for ship owners, yesterday came out against a draft resolution by developing countries at a special meeting of the United Nations Conference on Trade and Development to phase out such flags.

The resolution was put forward by Sri Lanka on behalf of the Group of 77 which comprises developing nations. It recommended that open registers (flags of convenience) "be gradually and progressively transformed into normal registries."

Dr Rocheforte Weeks, chairman of the Liberian delegation, said he could not accept this proposal. He has already said Unctad did not have the authority or competence to deal with the economic impact or future of open registry shipping, although favouring help to developing countries to build up their merchant fleets.

About one tenth of Liberia's foreign income comes from fees and taxes on shipowners who register vessels under its flag, Dr Weeks said yesterday.

Liberia, which with nearly 80m gross registered tonnes under its flag is the largest open registry shipping nation, earns about $13m (£6.4m) a year from shipping. This is expected to rise to nearly $30m in 1984

Dr Weeks said he was "reasonably confident" the Unctad session would not come out firmly against flags of convenience.

Herr Christoph Hinz, the West German delegate, speaking for the industrialised nations, said the Group of 77 proposal did "not offer a realistic prospect for a consensus resolution."

China co-operation pact for Nordic Bank

BY COLINA MACDOUGALL

THE NORDIC BANK and a delegation from the China International Trust and Investment Corporation, headed by its chairman Mr. Rong Yiren, yesterday signed the first co-operation pact to be agreed between a bank in London and the Chinese organisation.

The agreement is intended to bring together potential investors with the Chinese under the auspices of the Nordic Bank, which has already successfully put together the $72m financing for the construction of the Great Wall Hotel in Peking.

It was also signed by the Nordic Bank's four shareholders, *Svenska Handelsbanken* of Sweden, Kansallis-Osake-Pankki of Finland, Den Norske Creditbank of Norway and Copenhagen Handelsbank of Denmark.

The agreement defines the area of co-operation as the exchange of information and the identification of projects. In its role as middleman, the bank will be involved in putting together funds. Given China's present anxiety about committing itself to debts it cannot afford, projects are likely to use the already-established low-interest government credits such as the British ECGD deposit facility.

The Nordic Bank and CITIC have agreed to undertake more feasibility studies of proposed projects. It seems likely the bank will maintain a watchdog role over the projects as they are implemented to ensure their success.

Mr Rong noted areas of particular interest to China as potential targets for overseas co-operation. These included modernising existing enterprises and new developments in energy, transport, communications, building and the non-ferrous metals. All forms of co-operation and co-production would be considered as well as joint equity ventures.

About 30 joint equity ventures had been approved by China's final arbiter, the Foreign Investment Commission, and many more were still under discussion, he said. He hoped the approval process could be speeded up.

BAe wins first orders for new Jetstream airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN PARIS

BRITISH AEROSPACE has won its first orders for the new Jetstream 31 passenger commuter airliner, worth over £5m including spares.

It was announced at the Paris Air Show yesterday that Mall Airways of Albany, New York, had ordered two of the 18-19 passenger aircraft for delivery from July 1982, with options on two more aircraft.

In Europe, Contactair of Stuttgart, West Germany, has ordered a single aircraft for delivery in early 1983, with options on a further two for delivery later that year. Contactair operates a charter fleet of turbo-prop and jet aircraft serving many parts of Europe, and plans to use its Jetstreams in an 18-passenger configuration for its long-term charter customers.

Prototype

The Jetstream 31 was put into full production last January, and the prototype aircraft is now well into the flight development programme. The first production aircraft will fly by the New Year, and certification by both the British and American authorities is scheduled for mid-1982 with deliveries to customers starting soon afterwards. Production is taking place at the British Aerospace Scottish division factory at Prestwick.

One of the most significant new developments at the Paris Air Show yesterday was the first public appearance in the West of what is believed to be the biggest helicopter in the world, the Russian prototype Bil-26.

This giant aircraft is capable of carrying a payload of 20 tonnes, and is powered by two massive turbine engines driving an eight-blade rotor.

The aircraft is intended for cargo work rather than for passenger carriage, since its cabin has only the bare minimum of windows. Initially it seems likely that its use will be for military activities, although eventual commercial operations cannot be excluded.

No one was allowed near the aircraft, however — a common practice with Russian aircraft at previous Paris Air Shows. A steel fence was erected round the helicopter and all attempts to gain access to the aircraft were firmly rebuffed by Soviet officials, who answer all the questions with the simple word "No."

Whether this attitude will soften during the remainder of the air show under the pressure of strong interest from Western aviation experts remains to be seen, but the Russians have at least lived up to their reputation of generating interest in their aviation products even if they are not prepared to be more forthcoming about them.

● Two British Aerospace Skylark rockets supplied to Germany for scientific experiments in space have completed successfully a total of 52 different experiments after recent launches from Kiruna, Sweden, in a co-operative venture between Sweden and Germany.

The two Skylarks were supplied to DFVLR, the Deutsche Forschungs-und-Versuch anstalt Fur Luft-und Raumfahrt organisation, by the BAC's Dynamics Group's space and communications division. The rockets were the latest to be flown in Germany's Texus programme of space experiments to evaluate the suitability of experiments for flight in the European Spacelab.

Lynton McLain writes: A private U.S. charter airline, Air Berlin U.S.A., has applied to the U.S. air attache in Bonn to operate flights between Berlin and Frankfurt, one of the three air corridors through Germany set up at the end of the Second World War.

Submission

Pan Am now operates the route exclusively, but Air Berlin U.S.A. said in its submission that the 1m passengers each year on the Berlin-to-Frankfurt route are not catered for by Pan Am's 86 return flights each week. The charter airline plans to offer reduced fares at DM 60 (£12.63) less than Pan Am for a return trip.

● The Export-Import Bank will help finance the sale of two Lockheed L-1011 jets worth $82.6m to British West Indian Airways, Reuter reports from Washington. The bank will provide a loan of $24.8m at an annual interest rate of 9.25 per cent for 10 years to the Ministry of Finance of Trindad and Tobago. The rest of the money will come from a private loan and a cash payment.

IRAN'S TRADING PERFORMANCE IN 1980

Japan beats West Germany to the top exporter spot

BY TERRY POVEY IN TEHRAN

JAPAN HEADED the list of exporters to Iran for the first time in 1980, according to figures published recently by the Organisation for Economic Co-operation and Development (OECD). With a total of $1.57bn (£778m), Japan's sales just topped the $1.58bn of West Germany. The share of trade going to both countries was, however, down on previous years. Britain not only managed to come third on the exporters' list but also almost achieved pre-revolution sales levels with its $971m.

Iran's total imports last year according to figures released by its Customs organisation were $11bn which compares with a total of $14.1bn in the Persian calendar year 1977-78, that is in the year immediately before the revolution began severely to affect trade levels. The EEC's share of this trade fell by almost 4 per cent comparing 1980 with 1977-78.

TOP TEN EXPORTERS TO IRAN (PLUS EEC)

	Imports from Iran 1980 ($m)	Share of Exports to Iran 1980	Share of Exports to Iran 1977-78
Japan	4,243	13.8	15.7
West Germany	1,880	13.2	19.4
UK	250	8.0	6.9
France	682	6.3	4.6
Italy	341	5.0	5.6
Netherlands	316	3.1	3.3
Spain	1,058	2.9	1.0
Australia	81	2.5	1.5
Switzerland	82	2.4	3.1
Belgium	271	2.4	2.4
EEC	3,832	39.2	42.9

Sources: OECD: Central Bank of Iran Report for 1977-78

Following the seizure of the U.S. hostages in November, 1979, the American Government and then, half way through 1980, the EEC and Japan took economic sanctions and diplomatic action against Iran. Direct U.S. exports to Iran fell to $23m, an all-time low for the last decade. In 1977-78 the figure was $2.2bn. Traders, however, are quick to point out that during the embargo there existed a sizeable amount of third party trade with Iran in goods originating in the U.S. (the Gulf, Western Europe and Pakistan have been mentioned in this connection).

Contrary to the pattern for U.S. exports, direct EEC trade with Iran does not seem to have been hard hit by the start of sanctions in May, 1980. Perhaps reflecting this, the EEC Commissioners, recently claimed to be "unable to draw any particular conclusions" as to the effectiveness of the EEC embargo on the basis of the figures available to them.

However, the growth of European sales was handicapped by the limited amount of export credits guarantee cover available. Much of the trade was conducted on either a cash or irrevocable letter of credit basis.

It is clear from the OECD figures that a number of EEC members increased their share of the market and France surpassed its 1977-78 sales level to $720m from $648m. French trade officials point out that this was really only the result of increases in world prices for foods, sugar in particular. Almost 30 per cent of French sales to Iran consisted of sugar.

They say that Britain was in 1980 the country with the largest trade surplus with Iran, having almost abandoned the purchasing of its oil from there early on in the year.

Apart from almost total elimination of the U.S. from direct export trading, although it remained seventh in the list of purchasers of Iranian goods, the position of West Germany must be giving some cause for concern.

Its share of trade fell by 6 per cent in the 1980-1977-78 period and was accompanied by only a marginal improvement in its 1980 performance over the bad year of 1979. West Germany, in spite of sharing top position with the U.S. for most of the last decade faces stiff competition in the Iranian market from Japan and other European states.

From the OCED figures it is also clear that a number of European states not members of the EEC and, therefore, not party to the sanctions agreement did well in their trade with Iran last year. Spain entered the top ten with what is for it a record level of sales, $333m.

Switzerland, at $277m in 1980, did less well, OECD members outside the top ten which made significant gains when compared with 1977-78 levels, were New Zealand, Finland and Austria.

This year is expected to see a sharpening of competition for the Iranian market now that sanctions action has been abandoned. One European commercial attache, whose government was not a party to sanctions, commented: "I am constantly advising our businessmen that they must come here and fight for business. Yes, sanctions allowed us to enter the Iranian market, but only for our own efforts will enable us to stay in it."

The fight for business may be increasingly influenced by political considerations. Government officials have made it clear that Iran is to put greater emphasis on the principle of reciprocity, purchasing goods from countries which import from Iran. Imports of essential goods will continue, but the purchase of luxury items will end.

From the figures available, and no official ones have been published by Iran, it is impossible to make even an estimate of the level of trade with Eastern Europe. In 1977-78 OECD countries (which includes Yugoslavia) shared between them 85 per cent of all sales to Iran and in the same year the Eastern bloc had less than 6 per cent ($840m).

In 1980 the OECD share of the market had fallen to some 70 per cent of the total, suggesting a significant rise in trade with the Third World and Eastern bloc states.

The policy of diversification of trading partners plus reducing to a minimum direct trade with the U.S. seems partially to have worked for Iran in 1980.

What is clear is that several of the immediate beneficiaries of this change in policy have been what Iran's political leaders chose to call "independent advanced industrial states."

This category seems sufficiently elastic to allow for the hope that the level of Western trade with Iran will re-establish itself during 1981 and into 1982.

Saudi contracts awarded

BY OUR WORLD TRADE STAFF

THE FRENCH and South Koreans have won the tussle among foreign companies for contracts for the first stage of a multi-billion dollar project to provide housing for the Saudi Arabian National Guard.

Prince Abdullah, National Guard commander and second Deputy Prime Minister, yesterday signed contracts worth SR 4.2bn (£611m) with Societe Auxiliere Entreprise Francaise of France, Sam Wham of South Korea and two local companies to construct 5,720 villas.

Dumez, another French group, earlier signed a contract worth SR 3.3bn (£480m) to build 4,576 houses.

At one stage Cementation of the UK was low bidder for the National Guard project.

The emergeace of a South Korean group as a contract winner is no surprise.

South Korean companies have won a major part of the basic construction contracts on offer in Saudi Arabia over the last five years. This role is expected to diminish as Saudi demands for work of higher technology increase.

Seven Scottish councils warned of grant cuts

BY LISA WOOD

SEVEN Scottish local authorities were warned yesterday by Mr George Younger, the Scottish Secretary, that they could lose more than £63m in Government grants this year.

The cut, affecting local authorities including Lothian, Scotland's second largest regional council which could lose £53m, is dependent upon the latest local government legislation for Scotland receiving Royal Assent. This is expected this month.

The Local Government (miscellaneous provisions) (Scotland) Bill will give the Scottish Secretary much stronger powers over council spending than those enjoyed by ministers south of the border.

The Act would empower him to order any council to reduce its rate if he considers it excessive. If the council refused, he could cut immediately the Government grant to the authority by the equivalent amount which the "excess" rate would yield.

In Scotland — unlike England — local authorities are prohibited from levying supplementary rates and short-term borrowing on the revenue account is only allowable against expected income.

Lothian, which has a Labour administration with a majority of one levied a rate increase of 50 per cent for 1981-82. Mr. Younger has said he considers this highly excessive.

The announcement by Mr Younger of his intention follows a threat by Mr Michael Heseltine, the Environment Secretary, that he will stop £450m in grants to English councils unless their budgets are kept in line with Government policy.

The other councils singled out by Mr Younger are the district councils of Cumnock and Doon (£0.45m), Dundee (£2.75m), Dunbarton (£0.75m), East Lothian (£1.35m) Renfrew (£3.8m) and Stirling (£1.25m).

The Scottish Office said that this was a preliminary list of local authorities. It did not exclude the possibility that grant reductions could be proposed for other local authorities.

Abolition of water rates proposed

WATER RATES should be abolished and the industry financed from taxation said Mr. Michael Kavanagh, director of operations for the South West Water Authority.

The situation was so serious, with crumbling sewers and other problems, that the time had come for radical rethinking of our industry's financial position, he told the Institution of Municipal Engineers' Conference in Harrogate.

"I believe we should do away with charging consumers for water and finance the industry from taxation. I hear the cries of horror from the local democrats—no local control.

"But what effective local control is there now, with central government capital allocations and cash limits on borrowing?

"The money saved if there was no billing would pay for thousands of kilometres of new sewers. Removal of collection departments would more than satisfy government demand for a reduction of staff."

Mr. Kavanagh said: "We are a public health service just as vital as the hospital health service — and that is funded entirely from the centre. Why not treat us the same?" It was also relevant to compare the water industry's capital expenditure with other government investment.

John Griffiths discusses the wider availability of Glass's Guide

Opening up the car trade's secrets

JUST ABOUT everyone who has sold or traded in a car to a dealer has watched the salesman's furtive dive into his pocket for the "blue book," the motor trade's Bible on used car values. And up to now, the confidentiality of Glass's Guide —its proper name—has been jealously guarded.

Under the pressure of change in the structure of car markets, the guide's owners have started to supply it to customers, albeit selected ones.

They are making an effort, says Mr. Reginald Montclare, one director, to get it into the hands of an estimated 6,500 companies in the UK which run fleets of 25 or more vehicles.

The reason is the big surge in used cars disposed of by transport managers directly into the trade. Cars bought by business users accounted for nearly 70 per cent of the UK's 1.51m new car market last year. Inevitably, each year a similar volume is being decanted into into the used car market.

Given the importance and complexity of fleet business, Mr Montclare argues that transport managers should have access to the guide's information.

When companies have managed to gain unofficial access to the guide, "the information was often misused," says Mr Montclare. "The finance director or whoever would take the listed prices literally. Whereas, in fact, they provide a baseline on which sophisticated judgments taking specific factors into account have to be made." Today's transport managers, he suggests, have become much more professional.

The decision to spread the guide's net has not been made without some apprehension. Each month, thousands of forms flow into the company's elegant headquarters, a small mansion in the heart of the stockbroker belt at Weybridge. They are filled in by dealers, who provide a detailed record of cars bought and sold, their mileage and condition. There are a number of other inputs to the 10,000 price quotations per month—records of prices achieved at the increasingly important auctions, surveys of asking prices in newspapers and magazines, and analyses of the guide's own specialists.

But the dealers' reports are the bedrock—and there was a real worry that the partial loss of confidentiality could cause this prime source to dry up.

So far the fears have proved ungrounded. Two surveys taken well ahead of the move into fleets showed dealers split roughly 50-50 for and against. However, says Mr Montclare, dealers have increasingly come round to the view since then that the fleet managers' role in the trade is now a fact of life and that they cannot be excluded.

They are joining a list of subscribers—Glass's is reticent about the total number—which includes insurance assessors and the finance houses. Glass's is also the standard work referred to by courts in legal disputes. Founded by the late William Glass in 1933, it is now owned jointly by the Thomson Organisation and the Municipal Journal Group.

Until recently, the aura surrounding the publication and its management had been as conservative as its physical surroundings.

Its views on likely developments in the UK market have been reserved for its dealer subscribers. It has tended to steer well clear of the Press.

But, says Mr. Michael Lacey, another director, a "second generation" of management has emerged which feels it is time to change.

This also applies to the manner in which the guide is compiled. Soon, computers will be used to expand and store information. But even then, Glass's executives make clear that "there must be the human check"—its strength, they believe, will still remain with its analysts.

The guide's job is to analyse the used vehicle market and publish the results monthly in terms of what Glass's thinks the dealer is buying and selling them for. In the highly volatile market of the past 12 months, that has not been easy.

The trade, says Glass's, looks to it as a stabiliser. And, for that reason, the guide ran into criticism last year because some sections of the trade felt it was putting forward what ought to happen rather than what was actually occurring.

Despite the price war which started last spring, Glass's findings were that, at least in the medium saloon group—where the bulk of fleet sales lie—and among small cars used values were down but not necessarily disastrously so.

For example, taking the market sector occupied by the 1600 cc Cortina, Glass's statistics show a one-year old vehicle, with 12,000 miles on the clock, to have had a residual value of 68 per cent, compared to the latest cost of a new version as of March 1979, when the car market was buoyant. Taking the same example traded in March of this year, after nearly 12 months of deep recession in the car market, its surveys showed an average residual value of 61 per cent. The biggest plunge, of 11 per cent to 57 per cent, has occurred with executive cars.

"We were endeavouring to look at what was happening overall in the marketplace," says Mr. Montclare.

"But there were those who took the line that we had to mark values down so not to encourage false hopes. Most of those who complained were dealers with difficult stock who were trying hard to dispose of cars."

Given the acknowledged professionalism of many fleet managers, extending the guide to the fleets is expected further to stabilise the trade rather than have any major adverse impact on prices from the dealers' point of view.

In any case, Glass's has become somewhat critical of the attitudes of some dealers.

Last year, some 2m used cars passed through dealers hands, but Glass's believes than another 2m were traded privately.

"It is our belief that most of the good used cars are traded in the private market," points out Mr. Monsclare." At the risk of drawing adverse comments from the trade, I would suggest that it's the dealers' own fault. Far too many of them have taken the attitude that only new cars generate profit. But the really go-ahead dealers are in fact making more money in the used market."

Energy plans based on 'unreliable data'

BY SUE CAMERON

THE General and Municipal workers Union has attacked the Government's "haphazard" energy planning based on official forecasts that are "out of date and unreliable."

In a report released yesterday the union calls for an energy commission to advise the Government. It claims there is "no attempt to plan according to the various energy priorities" and accuses the Government of substituting investment and pricing decisions for proper energy management. It says that current energy planning relies largely on competition between the energy supply industries.

The report, Energy: Planning for the Future, says the Department of Energy is seriously overestimating the amount of fuel and power Britain will need at the end of the century. It says that if proper conservation and efficiency measures are adopted the UK will require only about 400m tonnes of coal equivalent energy by the year 2000.

This is "some 12 per cent lower than the department's most recent projection."

But the report claims that the department's forecasts fail to take into account new opportunities for conservation or for different uses of various fuels.

It says the union "rejects the device of rationing energy by price alone." The union wants industrial and domestic consumers to be encouraged to transfer to the fuel most appropriate to their needs. It says this should be done by a combination of government grants and a sensitive use of the pricing mechanism.

Manufacturers requiring bulk steam should be "directed towards the use of coal." This would fee oil and gas for premium markets where no other fuel is satisfactory.

The report makes a number of other detailed recommendations including:

- Coal to be developed to ensure Britain has a secure supply without reliance on imports.
- Gas to be confined to the domestic market and to those industrial processes which need fine temperature control.
- Oil to be used only where no aother fuel can be substituted.
- New nuclear plants to be built on a replacement basis only. The UK to develop the advanced gas cooled reactor.

Ruling on suspended doctors

CHANGES introduced 10 years ago in the National Health Service to allow jobs to be kept open for doctors temporarily suspended by the General Medical Council from practising were illegal, the House of Lords ruled yesterday.

Lord Bridge of Harwich said that after the introduction of the GMC's suspension powers, a new term of service was introduced in the health service. It provided for a doctor to be suspended from duty without pay, but for his contract of service to continue unless specifically ended.

"It does not seem to have occurred to anyone to doubt the legality of this provision and no doubt it has been happily acted upon by hospital medical staff and their employers ever since," said Lord Bridge.

But the Medical Act 1956 prohibited the continued employment of hospital medical officers who were not, for the time being, registered. It could not therefore be within the powers of the Secretary of State, acting under regulations of the National Health Service Act 1946, to override that prohibition.

Highlands seek end to fuel VAT

By Mark Meredith in Edinburgh

THE Highlands and Islands Development Board yesterday proposed that Scotland's islands be exempted from value added tax on petrol and diesel fuel.

The board said that fuel price rises threatened future economic development in the islands. Food prices were already 15 to 20 per cent higher and other consumer goods 15 to 30 per cent more expensive than on the mainland.

Rear Admiral David Dunbar-Nasmith, chairman of the Highlands and Islands Development Board, warned of the impact of the fuel price increases on public and private transport on the islands. He said many people had no option but to travel long distances by air or sea and use their cars for local trips.

The board calculated that with VAT accounting for 21 pence for petrol selling at £1.65 the loss of revenue as a result of the exemption would be about £2m.

Rear Admiral Dunbar-Nasmith said the cost of even the shortest ferry crossing was high enough to eliminate the possibility of drivers crossing to the mainland to buy cheap petrol.

More political influence in Health Service forecast

BY LISA WOOD

INCREASING POLITICAL involvement in the running of the National Health Service, by both local and central government was forecast by a senior health service administrator at a conference in Norwich yesterday.

Mr David Kenny, making his first presidential address to the annual conference of the Institute of Health Service Administrators, said political parties were looking at the whole issue of elected representatives and the health service.

He said the Liberal Party, the Social Democrats and the Labour Party, all wanted more say for elected representatives on health authorities.

Emphasising that he was speaking in a personal capacity Mr Kenny, who is area administrator, Kensington and Chelsea and Westminster Area Health Authority, said recent political involvement in the health service—including the new Parliamentary Select Committee system and the increasing influence of the Public Accounts Committee had caused some concern in the health service. One worry was the quality of the debate sometimes heard.

May car production down to 45,000

By John Griffiths

UK CAR production fell sharply last month to 45,000, compared with 65,000 in May last year. A major factor in the drop was the two-week Ford strike and a stoppage early in the month at the BL Metro plant at Longbridge.

Statistics produced by the Department of Industry also showed another steep decline in the commercial vehicles sector.

Output last month was 14,200. This was 2,500 lower than in March a month in which output hit its lowest level for more than 30 years.

Industrial troubles were again partly responsible. The Ford plant at Southampton — which produces the Transit van, the single biggest selling model in Europe — was among those affected.

The May figure was less than half the 31,200 produced in May last year. It reflects the continuing recession in the commercial vehicle industry since the market, as one motor industry executive put it, "fell off the cliff" in April last year.

The Society of Motor Manufacturers and Traders has predicted that registrations of heavier commercial vehicles this year will fall to their lowest level since 1970.

A less severe fall has been predicted for the car market—by about 130,000 to 1.38m.

UK manufacturers' export prospects have been curtailed by the high value of sterling. Its present weakening is being treated with cautious relief.

Car and commercial vehicle markets are expected to recover next year — but not by much. The SMMT predicts that the car market will increase by about 5 per cent and that for heavy commercials by about 8 per cent.

Isle of Man service

THE ISLE of Man tourist board plans to have its own central booking agency to serve the travel trade.

Subject to obtaining financial support, the board envisage offering free telephone communication to travel agents inquiring about accommodation or potential tourists.

The scheme would lessen the need of travel agents to make a number of calls seeking accommodation.

London has been promised the world's best telecommunications by 1983. **Jason Crisp** reports

British Telecom cuts waiting time

BRITISH TELECOM is to start a premium service which will give City companies private circuits on demand at extra cost from September.

It will provide digital circuits, for the first time, which can be used for high speed data transmission, facsimile, video-conferencing and for communicating word-processors.

A year ago companies in the City were complaining it took longer to have telecommunications equipment installed there than in any other major centre in the Western world — and a good many third world countries too.

Yet yesterday British Telecom felt confident enough to boast that by 1983 London would have the best telecommunications in the world. It said the horrendous waiting times had been cut and in September it would launch a premium service which would give customers digital private circuits.

Now it takes four to five months to have a conventional analogue circuit crossing the City installed, compared with an 18-month delay last Summer.

British Telecom, which has been discussing the plan with the banks for the last six months, is cagey about how much the banks will have to pay for the special service, although it did say it would be profitable.

Companies who lease the new digital lines will be able to transmit large volumes of data at a much higher speed than they can do along conventional analogue circuits. The circuit can also be readily used for a number of other digital services such as high-speed facsimile—where a photocopy-like reproduction of a document is produced in a matter of second—video-conferences, and communicating wordprocessors.

To provide the circuits at short notice, British Telecom will have to set up microwave and possibly laser links around the City. At present, private circuits use ordinary cable, which often involves connections at a number of different exchanges.

The new digital network of private circuits will all be connected directly to Baynard House, a large exchange close to Blackfriars Bridge where the first System X digital exchange has been installed. System X is the new generation of digital exchanges being introduced to modernise the main telecommunications network.

In 1983 a local System X exchange will be installed at Baynard House, which will give many City companies the advantages of a digital exchange.

The new overlay network of private circuits is to be installed from September this year, covering the City and Holborn. Within a year BT plans to extend this to cover the central area of London as far as Hampstead, Battersea, New Cross and Stepney.

Eventually the network is to be extended to other cities in joint policy committee with its customers for the network — mainly banks, insurance companies, and brokers.

The cost of the new programme will be £17m and BT anticipates that initially it will have 30 to 40 major customers for the service. The network will also be used to give companies an immediate direct link to small dish satellite service aerials which will give access to high speed data circuits around Europe in 1983, when the satellites are launched.

Sir George Jefferson, chairman of British Telecom, yesterday denied that the premium network would result in a two-tier service. He said the organisations which would want to use it had very specialised needs which BT was responding to.

Last summer it took more than 18 months to get a telex, private circuits or a switchboard. The longest wait now is for long distance inland private circuits which still take up to eight months.

Demand for services in the City rose by between 10 and 12 per cent last year, said BT. In the rest of the country the growth has slowed to 4 per cent.

Drive starts to sell small telephone exchanges

BY ELAINE WILLIAMS

BRITISH TELECOM said yesterday that it was trying to sell its small business telephone exchange nationwide after a successful launch of the system in Central London and Scotland.

The organisation is anxious to gain a substantial market share for its Monarch 120 before the British Telecommunications Bill is passed which will open up competition with private enterprise.

Monarch, which is wholly UK designed, is made by GEC and Plessey. British Telecom, which has already placed two substantial orders with suppliers, said it was able to produce up to 750 installations a year.

This will more than treble in the next year as British Telecom builds up its capacity to install the systems.

More than 130 exchanges have been installed since the introduction in November last year, mainly in the City. Monarch provides small to medium businesses with a communications system normally available only on the larger tailor-made systems.

Already there are signs that British Telecom is extending its marketing drive to other types of telecommunications equipment. Earlier this week, it ordered telephone equipment worth more than £9m from TMC, part of Philips, which includes orders for 30,000 push button telephones and 200,000 conventional telephones.

In the last six months, TMC alone has received orders worth more than £70m.

British Telecom says it will be able to install a Monarch exchange within eight weeks of the order being placed.

Electronics companies combine in Europe

A COMPANY has been established by several large international electronics companies to compete for contracts to update Nato's communications systems.

It will be registered in Brussels under the name of ACCSCO S.A., and be jointly owned by GEC-Marconi, part of the GEC group; AEG-Telefunken in West Germany; Hughes Aircraft in the U.S., MBLE in Belgium; Plessey in the UK; Selenia of Italy; Siemens in West Germany; Hollands Apparaten of the Netherlands; and Thomson-CSF of France.

The company will undertake work on the Nato Air Command and Control System (ACCS) which provides communications for Nato forces throughout the world.

The consortium of international companies has worked together over the past year to prepare for the forthcoming improvement of the ACCS programme in Europe.

Disclosure burden

THE ACCOUNTANCY profession is seeking to lighten the disclosure burden on small companies. One of the first tasks of Mr Harry Singer, new president of the Institute of Chartered Accountants in England and Wales, will be to urge the government to exclude small businesses from the need to disclose loans to directors.

The profession feels that the proposals in last year's Company Act requiring greater disclosure from directors of companies of all sizes is too onerous.

Nuclear re-opening

BRADWELL nuclear power station in Essex, which has been shut for 15 months while faults were investigated, is to go back into operation early next year.

Both reactors were shut down in February last year when ultra-sonic equipment pinpointed weld defects in the gas cooling system. But extensive tests costing the Central Electricity Generating Board £30m discovered no major faults.

New health weekly

A NEW WEEKLY, The Times Health Supplement, will be launched in October as an addition to the stable of supplements published by The Times. It aims to supplement reporting on health services.

Redundancies

ENGLISH ELECTRIC VALVES of Lincoln is to make 70 workers redundant following a drop in orders, particularly in the marine radar field.

Burmah 'expected criticism on sale'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BURMAH OIL warned the Government that there might be public criticism of the sale to the Bank of England of the company's holding in BP, the High Court heard yesterday.

The price Burmah was to be paid—less than the current market value of BP shares—might give the impression that the Bank and the Government were taking advantage of Burmah's weak situation to get the shares at a low price, the company felt.

Burmah was also worried that its acceptance of the price might affect the price of its other assets.

It was told by Mr Edmund Dell, then the Paymaster General, that the Government was likely to be criticised, whatever price was paid.

Burmah's apprehensions were revealed during the court's detailed examination of the minutes, memoranda and other records of the events leading up to the company's acceptance in January 1975 of a package of measures by which the Bank proposed to rescue Burmah from financial crisis.

Burmah is asking the court to set aside the share sale which was part of the package. It alleges that the Bank acted unconscionably, taking advantage of its superior bargaining position to get the shares at a gross undervalue.

The holding of nearly 78m shares, which was Burmah's largest asset, was sold for £179m. Its current market valuation is nearly £1.2bn.

The Bank denies that the sale was at an undervalue and resists Burmah's claim for the return of the shares.

The hearing continues today.

£146,964 for ballet collection

John Carr Doughty's collection of ballet designs sold at Sotheby's yesterday for £146,964. The Victoria and Albert Theatre Museum paid the top price in the morning session (£7,000 plus the 11.5 per cent buyer's premium and VAT) for a costume design for the Young Rajahs in Le Dieu Bleu by Leon Bakst, signed and dated 1911.

SALEROOM

BY ANTONY THORNCROFT

Ward Jackson, the London dealer, bought a portrait of Roman Jasinsky by Kay Ambrose for £5,000 and a Bakst design for a male guest in Pavillon Armenonville, 1913, for £3,200.

At Christie's a 19th century French bronze of a jockey after Isidore Bonheur made £3,600.

King warns present form of local councils may end

BY ROBIN PAULEY

THE GOVERNMENT yesterday warned local councils for the first time that there is a real risk of local government in its present form, being brought to an end.

Mr Tom King, Local Government Minister, spelled out the threat in strong terms to councillors and senior finance officers at the Chartered Institute of Public Finance and Accountancy conference in Bournemouth.

He said it was up to local government to find the cuts necessary to reduce the £800m overspending in this year's budget and bring expenditure plans back to the Government's targets.

Otherwise, "less acceptable solutions" would be inevitable, and the changes made under mounting pressure probably would become permanent.

There were already at work forces, pushing towards a total unheaval in the structure and financing of local government, which could bring about more central control.

"This will not come from Ministers actions. We are not hell bent on a take-over by the Environment Department, and there are not many civil servants who are not filled with horror of the prospect. But I do see the threat from a certain remorseless march of circumstances."

The Government has decided to legislate to give it power to control rate rises in future. Mr. King's line seemed to indicate that yet more central control might be necessary if local government ignored demands for cuts.

This reflects growing concern that a large number of councils are likely to levy supplementary rates in the autumn to meet the penalties for overspending announced on Tuesday.

Mr. King said there was not much more left. If councils could think of a better way of controlling expenditure than the volume targets now in use, the Government would consider them urgently.

He repeated parts of Mr. Anthony Crosland's speech of 1975 which said that "the crisis facing us is much more serious than any in the last 20 years. Unemployment is rising inexorably. It is utterly unrealistic to believe that local government can be shielded and can hope to continue the pace of expansion of past years. The party is over."

Mr King said the party was not over then because manpower had continued to grow. "But now we must achieve our objectives. Can the voluntary system of co-operation between local and central government stand the strain in the new situation or are we going to end up in a political dog-fight?"

He got a mainly negative response from the delegates. Mr. Bill Joliffe, treasurer of Lancashire County Council, said the Government preached partnership but practised dictatorship by setting unrealistic and irrational targets followed up with threats.

Mr. Ted Knight, leader of Lambeth Council, said that the real threat to local government was the Government's dictatorial stance by constantly depriving and squeezing councils.

CIVIL SERVICE PAY DISPUTE — BY PHILIP BASSETT

Relations with officialdom turn sour

PAY TALKS between the Government and the Civil Service unions resume today, with the unions ready to press their case again for an improvement in the present offer, although they are also slightly fearful of a hard-line Government response following yesterday's Cabinet meeting.

The differences between the two sides—over the offer, the effects of the action and the amount of money stopped by the strikes—are clear and well-known.

What has perhaps been less publicly stressed is the agreement of some Ministers and senior civil servants to the unions' point that, regardless of the outcome of the dispute, the Civil Service will never be quite the same again.

In part this is because such a factor as morale is notoriously difficult to pin down. And in part it is because the issue has become a political football kicked between the two sides.

During the three days of talks at the weekend, union leaders tried to point out to Ministers the damage to longer-term industrial relations—both formally and at the often more important level of how people work together. Some union leaders fear the Prime Minister is pressing for such a humiliation of civil servants.

Today's response may well depend on how far some Cabinet members who have taken a hard line in the dispute have been ready to accept the unions' complaint of a deterioration of morale in the service, which could persist long after the strikes have ended.

The "crisis in relationship" between the Government and its employees as one union leader put it, is perhaps at its most acute among senior civil servants. Unlike the bulk of the civil service working up and down the country in local tax, benefit and other offices, they have to deal more directly with their political masters.

However, part of the problem with the case is its definition, which rests either on personal reports of falling morale—which can sometimes be viewed merely as personal discontent—or on the few outward signs.

The first outward sign in the present dispute—and one which went some way in convincing Ministers of the level of ill-feeling, particularly among senior civil servants—was the vote in a ballot on joining the planned action of First Division Association members. This showed, albeit narrowly, a majority in favour.

A further indication was given in the strength of the voting at the annual conference of the association.

There have been a number of reports, too, of senior staff unhappiness with the way the Government has handled the dispute. This concerns in particular the issue of notices of Temporary Relief from Duty (TRD), or suspensions.

Senior staff in the Inland Revenue, which has been most heavily involved in the TRD procedure, have been in some cases reluctant even to carry out instructions to suspend staff. There has been, for example, a noticeable difference in the enthusiasm with which the 15 regional controllers in the tax collection service have been pursuing the often unpleasant task of suspending staff from duty for refusing to work normally. This involved personnel with whom they have worked closely over the years.

Controllers of the Scottish and South London regions, for instance, have been particularly keen that the TRD procedure should be strictly applied. But in other regions, others have been noticeably less so.

The suspensions have created divisions in offices which will be difficult to heal, probably more so than anything else in the strikes, apart from key areas where the unions refused to obey the strike call.

One senior-grade civil servant, having seen most of his staff suspended, actually asked the union to be brought out on strike because feelings were running so badly.

Another, who though an FDA member was not at all active in the union, and for whom pay, indeed while important, is perhaps not central maintains that the attacks in the media of which few civil servants have been unaware would have been forborn had they not been compounded by the Government. As the employer, the Government has seemed to revel in Press comments, and as a result has handled matters in an extremely insensitive way.

The effect of this, according to another senior official at Under-Secretary grade, taken cumulatively with similar attacks by previous governments, has been "excessive demoralisation."

Some senior staff feel let down by the fact that their Ministers have not been arguing the case for them — so driving them into the arms of the "militants." This has been the view of some towards what in normal trade, union terms would be the ultra-moderate FDA.

WITH NO solution to the deadlock over civil servants' pay yet in sight, the damage to morale is considerable. Civil servants carry out the orders of Government departments, yet now an unprecedented animosity has grown up between policymakers and the executives charged with implementing their orders. Morale has sunk very low and relations between the Government and the Civil Service will never be quite the same.

In feelings which have been picked up by the FDA, some believe there has to be some sort of machinery for the higher Civil Service less drastic than resignation which without compromising them politically, would allow them to express a measure of disagreement with the Government.

Others simply express their disenchantment with a Government which has reduced their promotion prospects by cutting down the size of the Civil Service. In its calls for greater efficiency the Government has often been brutally critical of their work. It has attacked, even if it backfired, their pension rights. And it has over a number of years kept down or created anomalies in their pay apparently for political reasons.

Like any other people often referred to as a group, though perhaps more so than many because of the complexities of their work, senior civil servants' feelings do not run all one way. For instance, the Association of Inspectors of Taxes represent ing senior tax officials received on the ballot papers for taking industrial action, as well as messages of support, such comments as:

"For personal reasons I have not supported the strike, but I do not wish to obtain financial advantage thereby, and so enclose a cheque for £30 to be added to the action funds;"

"I do not support the campaign in any way and am totally opposed to it. I therefore refuse to make any financial contribution and will work normally and carry out all instructions from higher management at all times.

"Any attempt to increase subscriptions to collect money to support this Communist - inspired political strike will lead to mass resignations."

Many civil servants feel the unions have handled the dispute badly, pointing especially to the one-day strike and in particular the half-day strike, which they felt achieved nothing. Some, even at senior levels, take the view that if the case is worth fighting for, it should either be all-out or not.

One younger civil servant moving upwards into the senior ranks, said it was felt that the Government had been winning the dispute since Easter, when the unions drew severe public criticism on themselves for delays at airports to holiday-makers.

Some senior staff, too, have little time for, or opinion of, their union's representatives, particularly at local level. There is some resentment of the facility time given to them for union work and a feeling that staff who pursue the union course tend to be less able at their nominal jobs in any case.

Poor though some feel the unions' performance has been, the criticism of the Government's handling is sharper in particular comparisons are drawn between the adroit tactics of Lord Soames, the Lord President of the Council, when overseeing the transition to majority rule in Zimbabwe, and what many see as his less than adept footwork over Civil Service pay.

Most acknowledge, however, that relations between those in office and those who have been on strike and those who have gone out and also between those who have supported the union financially and those who have not, have been considerably worsened, perhaps irrevocably.

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CLAIM FOR £116m AGAINST SHELL AND BP

Law Lords dismiss Lonhro damages appeal

BY RAYMOND HUGHES

FIVE LAW Lords were yesterday unanimous in holding that Lonrho, the multi-national trading conglomerate, has no legal basis for its £116m damages claim against Shell and BP over alleged Rhodesian sanctions-busting.

In their reasons for dismissing Lonrho's appeal, the Law Lords endorsed the views of three Appeal Court judges, a High Court judge and three arbitrators who had earlier ruled in favour of the oil companies.

The appeal had been on legal issues, argued on the assumption that Lonrho's allegations were true.

The Law Lords ruled that Lonrho's claim disclosed no cause of action for alleged breach by Shell and BP of the *1962 agreement under which* seven oil companies contracted to transport all their supplies of oil for Rhodesia through Lonrho's pipeline.

They also decided that Lonrho had no legal right to sue over damage caused to it because of an alleged conspiracy by the oil companies to break UK Government sanctions against Rhodesia.

This final defeat in the House of Lords may well prompt Lonrho to look for foreign jurisdictions in which to pursue what it regards as its irrefut*able, if as yet unproved claim.*

A vast amount of money is at stake, not only for the damages, but also the legal costs of the dispute to date. These, it is generally agreed, must amount to several million pounds, for the great bulk of which Lonrho, as the loser, will be liable.

Lonrho has two options. It can continue to fight in the UK, or it can cut its losses and seek more sympathetic legal systems abroad.

The first option has two *elements: the arbitration involv*ing Shell and BP, from which the Lords appeal stemmed; and a pending High Court action against 28 other oil companies, including Shell and BP's Southern African subsidiaries, and three individuals.

The matter will have to go back to the arbitrators, if only for them to end it formally on the ground that, the courts having ruled that there is no legal basis for Lonrho's claim against Shell and BP, there can be no point in going on to hear *evidence.*

Technically, Lonrho could apply to amend its case to give it a different legal basis circumventing the Lords' ruling.

It could revert to the allegation made in the original writ, which was unaccountably changed for the arbitration, that Shell and BP intended to injure Lonrho, rather than that the injury was incidental to an alleged illegal conspiracy to *break sanctions.*

The latter argument failed in the courts. The judges ruled that, if someone against whom a conspiracy was not directed, but who was injured by it, wished to sue, he had to prove that the conspirators intended to injure him.

Arguably, Lonrho could seek to say that, any conspiracy apart, the oil companies intended to injure it.

Any attempt to make such an amendment would be vigorously opposed by Shell and BP and *it is highly unlikely that the* arbitrators would allow it at such a late stage.

That would leave the High Court action outstanding, the foreign defendants to which have, incidentally, never been served with the legal documents in the case, even though the writ was issued four years ago.

Theoretically there would be nothing to stop Lonrho going ahead with that action, though it would face the problem of establishing that the legal basis *of that part of the dispute was* sufficiently different from the arbitration to justify the courts taking a different view.

However, the probability is that Lonrho will decide that it has had enough of the English legal system and will look elsewhere.

The USA, the Netherlands and Mozambique are only three countries *in which Lonrho* may well start issuing writs.

Since the dispute began new information about the oil companies' activities during UDI has come to light—most recently in the Netherlands—and that, coupled with differences between the laws of the UK and other countries, may well make Lonrho feel that a change of battlefield is appropriate in a war that it has no intention of giving up.

Another round is lost after four years of legal battle

BY RAYMOND HUGHES

LONRHO entered into a major contract with seven oil companies in 1962.

The company agreed to build a pipeline from Beira in Mozambique, to Feruka, near Umtali, in Rhodesia.

The oil companies—Shell, BP, Caltex Mobil, Total, Aminoil and Kuwait National Petroleum Company—agreed to transport all their oil supplies for Rhodesia through Lonrho's pipeline.

The pipeline came into service in January 1965. Eleven months later is closed. No oil has flowed through it since.

The reason for the closure was the unilateral declaration of independence (UDI) by the Rhodesian government led by Mr Ian Smith which provoked UK Government sanctions making it a criminal offence for any UK company to supply goods to Rhodesia.

Despite sanctions, the rebel regime survived for 15 years, without, apparently, suffering from any shortage of oil.

Lonrho became convinced that major oil companies were breaking sanctions and secretly supplying Rhodesia with oil by means other than the Lonrho pipeline.

In 1977, the company decided it had enough evidence to start legal proceedings. It issued a High Court writ claiming damages against Shell, BP, Caltex, Mobil, Total and 24 other oil companies, including Southern African subsidiaries of Shell and BP.

Lonrho's co-plaintiff was its pipeline-operating subsidiary, a Mozambique company, Companhia do Pipeline Mocambique Rodesia.

The writ alleged that the oil companies had broken the 1962 agreement and had caused Lonrho to lose about £100m.

Lonrho contended that the oil giants had conspired treasonably with the rebel regime to break sanctions.

In January 1978, the dispute had its first airing in court. Shell and BP strenuously denied Lonrho's allegations and got their part of the dispute hived off.

They argued successfully that the 1962 agreement provided that any disputes should go to private arbitration and not be dealt with in a public court hearing.

Mr Justice Brightman accepted the argument, though with some regret. He said it was a pity that he had no discretion in the matter, because he would have preferred an opportunity to decide whether or not it might be better for all Lonrho's claims to be dealt with in a single High Court case.

Lonrho accepted the ruling. It then applied successfully for leave to add other defendants to its remaining High Court action.

The new parties were Shell International Petroleum and three oil company executives—Sir Frank (now Lord) McFadzean, former chairman of Shell Transport and Trading Company and managing director of the Royal Dutch/Shell group from 1964 to 1976; Mr. Dirk de Bruyne, president of Royal Dutch Petroleum, and a Shell T and T managing director; and Mr. A. H. Sandford, a former BP senior executive.

The dispute disappeared from view for two years. Lawyers beavered away preparing for the arbitration.

At the end of 1979, the situa*tion in Rhodesia changed, sanc*tions were lifted, and the Attorney-General announced in Parliament that there was no evidence on which criminal charges of sanctions busting could be pressed against Shell and BP.

Early the following year, Lonrho was back in court again, claiming that it should be allowed to see documents of Shell and BP's Southern African subsidiaries relating to the companies' activities during UDI.

Lonrho also demanded a sight of the submissions and evidence of Shell and BP to the Government inquiry into sanctions-busting allegations, headed by Mr. Tom Bingham, QC.

The oil companies objected to disclosure of both categories of papers, and were backed in the case of the Bingham documents by the Government which made a claim of "public interest immunity" (formerly known as Crown privilege), asserting that disclosure would be contrary to the public interest.

At two separate High Court hearings, Lonrho's applications were thrown out. The Court of Appeal proved similarly unsympathetic to Lonrho's plea that the documents were crucial to its case at the arbitration.

The appeal judges said the oil companies had no power to order their subsidiaries to produce documents if the subsidiaries considered that it would nit be in their best interests to do so.

On the Crown's immunity point, Lord Denning said Shell and BP had co-operated with Bingham on the understanding that their evidence would be kept confidential. For the sake of similar inquiries in the future, it was of the highest public importance that confiden*tiality should be maintained* "and not broken into by any specious argument," said Lord Denning.

Lonrho went to the House of Lords where it fared no better.

The preliminary skirmishing have ended, the parties got down to the real battle. Arbitration began at the Piccadilly Hotel in London on June 23 last year.

It was adjourned while Lonrho made the first of what was to be a series of changes among the barristers presenting its case. (By the time the case ended half a dozen different Queen's Counsel had carried Lonrho's banner at one time or another.)

Last September, Lonrho went back to court, trying unsuccessfully to subpoena Mr Bingham —by then elevated to the High Court bench as Mr Justice Bingham—as a witness.

In November, the Financial Times reported that the arbitrators had decided most of a series of preliminary legal issues in the oil companies' favour, and that Lonrho intended challenging the findings in the High Court.

At that court hearing, Lonrho publicly withdrew the treason allegation it had made against the oil companies in its original claim.

It no longer felt that it could argue that the oil companies' acts had amounted to treason, the court was told.

The High Court went further than the arbitrators. It accepted Shell and BP's arguments on all the legal questions, and ruled that there was no legal basis for Lonrho's claim.

The Court of Appeal again upheld the High Court. Lonrho went back to the House of Lords in a last bid to save its claim.

Last month, the Law Lords listened to Lonrho's counsel for two and a half days. They did not require any contrary submissions to be put to them by the oil companies.

It was clear that Lonrho had lost the last round, even though it was to be another month before the Law Lords announced their decision.

Crackdown urged on video-piracy of films

BY ARTHUR SANDLES

BRITAIN'S FILM distributors are being urged to crack down on pirate showings of video-taped films in pubs and clubs, or to acknowledge the size of the business and enter into formal licensing agreements.

Video-piracy, made possible by television technology, is becoming a pre-occupation of the film and television estab*lishments. Cinemas are losing* audiences. Pubs show tape-recorded films while customers drink.

The annual meeting of the British Videogram Association—made up of the various companies with interests in cassette and disc production—heard yesterday of pubs renting cassettes of major films for a few pounds and showing them in their bars.

"The film distributors have got to decide whether to start raids (to produce prosecutions for breach of copyright) or have a licensing system and *make as much money as possible out of it,"* said Mr Michaeil Kuhn, chairman of the BVA rights committee.

This non-licensed public entertainment and what the association calls "video theft" is a major worry of the industry. Unauthorised copies made of films and television programmes are sold to the public for club/pub exhibition and home viewing.

"The people concerned really are thieves and crooks who are stealing our livelihoods." said Mr Laurie Hall, a BVA council member.

Cleaning up the video business may, however, be much more complicated than simple calls for action suggest.

Any deals allowing the showing of films in pubs would provoke uproar from cinema owners and, at the same time, re-open the question of residual rights (access to profits from non-television and non-cinema sales) which has yet to be worked out with unions and other interests.

The BVA has been having negotiations with music publishers, Equity and the Musicians Union over who is to share what in the proceeds of video sales. It is this thorny issue which has caused strikes of actors and writers in Hollywood.

Pottery workers petition minister on job security

FINANCIAL TIMES REPORTER

FIVE HUNDRED pottery workers in Stoke on Trent have signed a petition asking Mr Michael Heseltine, Secretary for the Environment, to give their job security a higher priority than the preservation of a pair of famous old bottle ovens.

"Jobs are more precious than chimneys," they told the Minister, who recently decided to save the 75-year-old bottle ovens although the owners, Portmeirion Potteries, want to demolish them so an expansion can take place.

Mr. Evan Cooper-Willis, the joint chairman, told a public inquiry in December that the land was urgently needed for a new kiln, otherwise production might have to be taken abroad.

The petition, handled for the men by Mr. Bob Cant, MP for Stoke Central, says: "In refusing the application to demolish these kilns, Mr. Heseltine is curbing job creation and making it unsafe for existing jobs. After resuming a 40-hour working week after [illegible] of three days, we think it is [illegible] not to give consent. We already have several other bottle ovens in the city to remind us and our visitors of our pottery heritage. Demolition of these kilns is necessary to keep our jobs safe."

Mr Cant is asking the Minister to use his powers to revoke his previous decision.

Conservationists urged the Government to save the traditional bottle ovens as only very [illegible] remain in the city.

Big hotel venture in Scotland

By Mark Meredith in Edinburgh

A NEW international hotel company is to be formed to run three of Scotland's main hotels, Gleneagles, Tayside, and Edinburgh's Caledonian and North British hotels.

The British Linen Bank has prepared a brief for potential investors in Gleneagles Hotels Public Limited Company before offering shares on a private placing.

The shares are being offered as minority holdings to give the group a reasonable chance of surviving without encountering any early takeover bids from large hotel groups or other companies.

British Transport Hotels retains one-third holding in the hotels, while the remaining two-thirds are being offered through British Linen to private shareholders.

The discount value of hotels, which have been evaluated at £12.73m is about 20 per cent, in line with the general weakness of the international hotel market.

British Airways argues for alternative to Stansted

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITISH AIRWAYS yesterday unveiled its formal strategy for opposing the Government's plan to develop Stansted as London's third airport.

In place of Stansted, which the Government wants to enlarge to handle 50m passengers a year, British Airways wants expansion concentrated at Heathrow and Gatwick—London's two main airports.

In particular, British Airways wants a fifth terminal to be built at Heathrow airport in addition to the fourth terminal which is already being built. The fourth terminal will add capacity for 8m more passengers yearly to *Heathrow's current total* capacity of 30m passengers.

A fifth terminal would not produce a single extra flight, the airline said yesterday on publication of its case to be presented in September at the public inquiry into Stansted.

"This alternative strategy is to [illegible] the capacity of the [illegible] airport before embarking on [illegible] new investments at Stanstead," said Mr Roy Watts, deputy chairman and chief executive of British Airways, in London yesterday.

Mr Watts said this approach would provide "the most efficient, most effective, most economic and most widely acceptable solution."

He said it was in the national interest to build a fifth terminal at Heathrow. This would be built between the two main runways at the western end of the airport, a site now dominated by a sewage farm. "It makes little sense any longer for over 270 acres in the heart of our principal airport, to be used as a sewage farm," Mr Watts said.

The fifth terminal favoured by British Airways would not "impede progress towards the quieter airport we all want." By 1986 when new international noise regulations come into effect, Heathrow would have a rigid limit of 275,000 air transport movements a year.

This together with quieter and larger aircraft would be used increasingly to carry the extra passengers expected as demand for air traffic continued to grow.

New transplant donor card

DR GERARD VAUGHN, Minister for Health, yesterday introduced a multi-organ donor card which will enable donars to say which parts of the body they wish to leave to others after they have died.

"As medical skills advance, so the opportunities to give different organs for transplantation increases, said Dr Vaughan. "Kidney transplants have nearly doubled in eight years to 864 but 2,024 people still wait for a kidney. Corneal grafts have reached 1,200 but more are needed. Last year there were 25 heart transplants and 12 liver transplants.

Lawson firm on policy of market forces determining exchange rate for sterling

BY IVOR OWEN

IT REMAINS Government policy that the exchange rate for sterling should be "primarily determined by market forces." Mr. Nigel Lawson, Financial Secretary to the Treasury, assured the Commons yesterday.

Questioned about the recent depreciation in the value of the pound against the dollar, he confirmed that intervention by the Bank of England over the past few days had been confined to "smoothing" out undue fluctuations in order to preserave an orderly market.

Mr. Lawson made light of the implication of the fall in the pound for Britain's inflation rate while the Prime Minister chose to emphasise the competitive benefits for British exports.

There was ironic laughter from the Opposition benches when the Financial Secretary argued that while fluctuations in the exchange rate would have some temporary effect, in the long run the domestic inflation rate was determined by the rate of growth in the money supply.

Mr. Jock Bruce-Gardyne (C., Knutford), recalled that during the period 1979-80 when the exchange rate was rising fastest, so had Britain's share of world exports of manufactures.

He suggested that in view of this, and the fact that Britain's currency reserves were now at a record high level, there might be no harm if the Governor of the Bank of England showed more enthusiasm for buying sterling—which would help domestic credit expansion—in the same way as he had been enthusiastic to sell sterling in the past.

Mr. Lawson retorted that Mr. Bruce-Gardyne had exaggerated the enthusiasm of the Governor.

Lawson: Bank intervention "was confined to smoothing out fluctuations."

Shore: called for definitive statement on the role of the Bank.

"The fact of the matter is that whether the rate is rising or falling Government policy is to leave the rate to be primarily determined by market forces," he said.

Dr Oonagh McDonald (Lab., Thurrock) asked the Financial Secretary to state his view of yesterday's market judgment of the pound.

Mr. Lawson answered: "I watch it with interest."

Mr. William Benyon (C., Buckingham) urged him to resist any advice to raise interest rates as a result of the temparary fall in the value of sterling.

The Financial Secretary commented: "You are right. We shall judge what is the appropriate level of interest rates according to the underlying monetary situation and not be affected by these temporary blips."

Mr. Peter Shore, Labour's shadow Chancellor, called for a definitive statement on the role of the Bank of England as the pound came under pressure.

Was it the Government's view that the Bank should intervene to sustain the exchange rate as had been suggested by Mr. Bruce-Gardyne?

Or was it the Chancellor's position that in view of the loss of competitiveness from which Britain has suffered so grievously that there was a strong case for allowing "corrective action" to take place.

Mr. Lawson claimed that Mr. Shore appeared to be arguing both for the exchange rate to be held up and for it to be allowed to fall.

This led him to the conclusion thata the position taken by the Government must be "just about right."

Irritation among some Government supporters over the attitude of the CBI surfacesd when Mr. Anthony Beaumont-Dark (C., Birmingham Selly Oak) asked the Prime Minister if she had been contacted by either the employers' organisation or the TUC about the fall in the value of sterling.

To cheers from other Tory backbenchers, he reminded her that both bodies had complained when sterling climbed to the $2.40 mark. Now that it had fallen to below $2 had she heard from them about the greater opportunities which they now had to compete?

There was laughter when the Prime Minister told him: "The answer is no."

She underlined the fact that when the pound was low it meant that Britain's exports were more competitive, but she also acknowledged that when the pound was high it meant that imported raw materials cost less.

Sir Geoffrey Howe, the Chancellor of the Exchequer, accused Labour MPs of painting a distorted picture when they challenged his assertion that there was the prospect of an upturn in investment in 1982.

Mr. Robert Cook, a Labour Treasury spokesman, asked how the Chancellor could reconcile his assessment with the findings of the CBI which showed that half the firms covered by their latest survey would be investing less in the next year than in the last year.

Sir Geoffrey explained that changes were taking place at different times in relation to each other. "The reality is that there are substantial signs of rising productivity throughout British industry," he declared.

£3¼bn held up by civil servants' dispute

By Philip Bassett, Labour Staff

The Government said yesterday that the Civil Service dispute had delayed £3¼bn to £3½bn in revenue because of strikes by staff at key computer and other centres. The dispute is nearing the end of its 13th week.

The statement by Mr. Leon Brittan, Chief Secretary to the Treasury in reply to Commons' questions, follows publication yesterday of the union's latest figures on the amount stopped. The Council of Civil Service Unions claims that nearly £5bn has been halted.

Mr Brittan said the loss was temporary and would be recovered. He said the strike action was completely unnecessary.

He came under pressure from MPs to help businesses in difficulty because of the halting of Value Added Tax payments. He said tax collectors appreciated the cash flow difficulties of businesses caused by the interruption of VAT repayments. "They are taking that into account in considering how far to press for payment both of Pay As You Earn and other tax liabilities that are overdue."

Taken out writ

Mr John Farr (C., Harborough) condemned the Inland Revenue for sending "threatening letters" to one-man businesses for payments of "trivial" sums of tax when four-figure sums were due in VAT repayments.

One company facing this problem, Robert Owen International, an oil reprocessor based in Poole, Dorset, has taken out a writ against the Customs and Excise Department for £31,000, representing the VAT owed to the company for February and March.

The company buys waste lubricating oils, with VAT at 15 per cent, and processes them into industrial fuel oil, which is zero VAT rated.

The company will issue further writs if necessary for the £20,000 a month from March, and for a further £30,000 claimed for goods to be exported.

Mr. Robert Owen, company chairman, said: "HM Customs and Excise will not consider paying us. They intend to defend the case with more costly delay for us."

The Civil Aviation Authority said it did not expect flights today to and from London's Heathrow Airport to be adversely affected by action by air traffic engineers and telecommunications staff at the London Air Traffic Control Centre. Air traffic controllers will not be on strike.

The unions said there had been a 100 per cent response to its strike call by control staff at Prestwick yesterday, and one jumbo jet had flown illegally and unsafely from the airport. Services at Gatwick and Heathrow were also affected.

Benefit staff at three computer centres—unemployment benefit at Livingston in Scotland and Reading, and the child benefit computer at Washington, Tyne and Wear—are likely to be called out on Monday if talks today between the unions and the Civil Service Department fail to produce any movement over the present offer of 7 per cent for this year and changes in future pay arrangements.

The TUC is understood to be concerned about the effects of the action. Many TUC general council members are worried about the possible prospect of disorder at closed benefit offices.

No splits on EEC budget says PM

By Ivor Owen

THE PRIME MINISTER switched to her role as First Lord of the Treasury yesterday in the Commons to scoff at reports that the Government is divided over how to conduct the negotiations to secure a reduction in Britain's net contribution to the EEC budget.

She was challenged by Mr Michael Foot, the Opposition leader, to comment on a report in The Times that there were deep divisions between the Treasury and the Foreign Office over what the correct level of Britain's contribution should be.

Mrs Thatcher told him: "I am First Lord of the Treasury and I do most of the negotiating with Europe. I am not disagreeing with myself."

Mr Foot—who was repeatedly mocked by Government supporters about the divisions in the Labour Party—said he could understand why the Prime Minister was so determined not to leave the negotiations to her colleagues.

He repeatedly demanded that she should give an assurance that the British contribution to the EEC budget would be reduced to the level required to enable the Government to satisfy previous undertakings given to the House of Commons.

The Prime Minister insisted that the present Government had achieved greater success in securing a reduction in Britain's contribution to the EEC budget than its Labour predecessor.

She also stressed that Britain was not the largest net contributor to the EEC—Germany was by far the largest.

Earlier, Mr Nigel Lawson, Financial Secretary to the Treasury, told MPs that the UK's net contribution to the 1981 EEC budget — including import duties, agricultural levies and VAT—was estimated to be about £500m.

He reaffirmed that the Government held to its position that there should be no increase in the 1 per cent VAT ceiling which applied to the EEC budget.

"The whole of the negotiations and discussions on the restructuring of the budget and on other matters are within that firm context."

Clause to close tax loophole for agency workers dropped

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A CLAUSE tightening up the tax arrangements for workers who obtain employment through agencies has been withdrawn from the Finance Bill as the result of strong protests from business organisations who would be affected by it.

The Government will now hold wider consultations about its proposals with a view to bringing forward a revised scheme in next year's Finance Bill.

The clause had been introduced to close a loophole which had resulted in an estimated £40m loss of tax revenue from avoidance and evasion.

The dispute goes back to the second Finance Bill of 1975 which brought in a measure to prevent non payment of tax by people who found temporary work through employment agencies. They were brought within the PAYE scheme instead of being able to claim that they were selfr employed.

But this provision has since been avoided by the formation of small companies usually consisting of only one person. These people—mostly engineers and draughtsmen—get contracts through an agency and can avoid payment of tax until the end of the financial year.

In some cases there has been evasion by the closure of a company or by a change of name. The comptroller and auditor general estimated recently that there were 50,000 agency workers and of these 30,000 were one man companies.

Clause 34 of the present Finance Bill sought to prevent this by stipulating that large companies who employ these small concerns through an agency must deduct 30 per cent of their salaries as tax.

But this brought protests that the scheme was too sweeping and "brutal." The Institute of Tax observed that although it accepted the reasons for the clause, there was an element of "double taxation" involved. It felt that the effect of the clause was unnecessarily harsh.

Mr Tony Benn being driven from his home in London yesterday by his son Hilary, to be admitted to Charing Cross Hospital for tests for a suspected viral infection.

Lords' ministers may get 42%

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MPs ARE expected to approve today an increase of nearly 42 per cent in the pay of Ministers of State in the Lords.

The increase, which is tucked away among the motions on MP's pay, is far higher than the 7 per cent which Lord Soames, leader of the Lords, will today be negotiating with the Civil Service unions.

But it goes some way to resolving the long-standing problem of how to renumerate junior ministers in the Lords, who, unlike Commons ministers, do not get a Parliamentary salary.

Lord Soames, as a Cabinet Minister, will get an increase of only just over 19 per cent—the same as MPs are getting as a result of their two-stage award.

Mrs Thatcher made no secret of the fact that ministers in the Lords were getting special treatment when she announced the Government's recommendation of MPs and Ministers' pay last month.

But the size of the Lords' increase got overlooked in the fuss surrounding the fact that MPs were going to get 18 per cent.

The Government has been trying to find a way of improving the pay of junior ministers in the Lords for well over a year. But because of the political difficulties, it has put it off until now. Some of the younger ministers in the Lords, who do not have any private source of income, were said to be close to resigning—and had argued strongly that the Government must face up to the issue.

Under the new arrangements, a Minister of State in the Lords will get £23,275 as against £16,400 now. Ministers of State in the Commons will get a total of £27,905—made up of £19,775 for their Ministerial pay and £8,130 for their Parliamentary pay—as against £23,180

The whole question of MP's pay has long been regarded as very sensitive. Nevertheless the Government decided not to try to block the staged increase which MPs were due to get in the arrangements made last year. But some Tory backbenchers believe MPs should set an example by exercising pay restraint, and six of them have tabled an amendment to today's motion on MP's pay, cutting back the increase.

Parliament next week

COMMONS

Monday: Education (Scotland) Bill, report Health and Safety (Fees for Medical Examinations) Regulations.

Tuesday: Employment and Training Bill, remaining stages. Education (Scotland) Bill, Third Reading Sheep, Variable Premium (Protection of Payments) (Amendment) Order

Wednesday. Education Bill, remaining stages. Lords amendments to Local Government (Miscellaneous Provisions) (Scotland) Bill.

Thursday: Debate on the effects of Government policy on the rights status and opportunities of women.

Friday: Private Members' Bills.

LORDS

Monday: Betting and Gaming Duties Bill Second Reading. Food and Drugs (Amendment) Bill, Report Transport Bill, Committee. Employment Protection (Employment in Aided Schools) Order

Tuesday: Lord's Expenses Ministerial and Other Salaries Order. Local Government (Miscellaneous Provisions) Bill, *Third Reading*. *Forestry Bill*, Report.

Wednesday: Debate on race and sex discrimination. Indecent Displays (Control) Bill, Committee.

Thursday: Food and Drugs (Amendment) Bill. Third Reading. Transport Bill, Committee. Insurance Companies Bill, Third Reading.

Friday: Transport Bill, Committee.

Row on discount air tickets evidence

FINANCIAL TIMES REPORTER

A GOVERNMENT Minister was accused yesterday of "sweeping under the carpet" evidence on discount air tickets.

The charge, during Lords question time, was made by Social Democrat Baroness Burton of Coventry, who has been protesting vigorously over discount tickets sold through unlicensed sales agents or "bucket shops."

A "large organisation" had sent evidence to Lord Trefgarne, Trade Under Secretary, showing they had bought discounted tickets, Baroness Burton claimed.

"In a number of cases, these tickets were issued by an airline," she said. "And the receipts showed the money paid was less than in the tariffs.

"He has that evidence, and what is he prepared to do about it?" she asked.

"What more are people to do if evidence they submit is just swept under the carpet?" she demanded.

But Lord Trefgarne said that while he had received the evidence from an "important organisation in the travel trade," it would not support a prosecution.

"I am as anxious as you are to ensure that the law is upheld," he assured her.

Bid to cut nationality costs fails

THE COST of applying for British nationality is to go up, Mr. Whilliam Whitelaw, the Home Secretary, told the Commons last night.

During the final day's debate on the Nationality Bill, now at its report stage, MPs rejected, by 264 votes to 225 (Government majority 39) an Opposition bid to reduce the cost.

Mr. John Tilley, the Opposition's Home Affairs spokesman, complained that immigrants were not taking up their rights to British citizenship because the cost was too high.

He proposed that the cost should bve reduced and index-linked. The cost of registration is £50 and naturalisation £150.

"The Nationality Bill is precisely what it means, a bill of at least £100," said Mr. Tilley. He said there was a possibility that the fee for naturalisation could be raised to £200 or even £250 soon.

Mr Tilley said the Opposition wanted the cost of naturalisation and registration pegged at £50 and any increase kept in line with increases in the retail price index.

Three unions reject 6.2% rise and 39-hour week

Builders face a showdown

BY NICK GARNETT, LABOUR STAFF

IT WAS AN ODD quirk that on the day this week that employers and unions took a major step forward towards ending the wage bargaining jungle on large construction sites, pay negotiations for building and civil engineering collapsed.

The breakdown of those talks on Wednesday has not only resulted in a real prospect of industrial action but has also put under strain the national wage bargaining machinery that has operated since the early 1970s.

On Tuesday, the Transport and General Workers' Union, the General and Municipal Workers' Union and the Furniture, Timber and Allied Trades Union are expected to begin planning a campaign of industrial action.

The three unions have rejected the employers' offer of 6.2 per cent on minimum earnings and a 39-hour week. The civil engineering employers had been prepared to be a little more flexible than the building employers in marginally improving that offer.

Neither group, however, was prepared to move to the improvements the Transport and General Workers' Union indicated it was seeking. The employers told the unions that because of the economic climate they had gone as far as they could.

But this year's pay talks have also produced the deepest union split in the industry for years. The Union of Construction Allied Trades and Technicians, with the biggest membership in the industry of the four unions is recommending acceptance of the offer.

This is likely to be ratified by the Ucatt executive, also on Tuesday.

That executive will then consider the union's position within the national negotiating structure. It is the biggest union in the industry but if the other unions vote against offers it does not have the voting power on any of the negotiating bodies to force an acceptance. On the National Joint Council for the Building Industry, for example, it has eight votes and the other unions combined also have eight votes.

No one in the industry apparently wants to see this machinery break up. Mr Les Wood, Ucatt general secretary, said yesterday that his executive might wish to seek a further meeting of all the unions to try and resolve the position. With the current bitter division on the union side that might not prove fruitful.

He said however that because of the deadlock his executive would see that the joint board negotiations had "failed to deliver the goods."

The executive, he said, might then wish to try and agree on a "separatist" settlement solely with the National Federation of Building Trades Employers.

The employers might also be worried that a separate agreement with the NFBTE would really split the employers side who themselves do not always see eye to eye. A separate building agreement could result in the Transport and General Workers redoubling efforts against the civil engineers in an attempt to force up a settlement.

A third course of action for Ucatt, if it accepts the offer might be to sit back and hope that the industrial action by the other three unions fails.

Many employers are sceptical that the unions can muster much support for action. The civil engineers are more vulnerable than the builders, however. Mr. George Henderson, Transport and General Workers' Union national construction secretary, said after the talks: "There is no way that the lads are going to accept what is on offer."

Mr. Frank Earl, General and Municipal Workers' Union national officer, said Ucatt might have to reconsider its acceptance of the offer.

Four difficulties within the union side have contributed to the current impasse.

- The rivalry between Ucatt and the TGWU. This has been reflected in animosities between former officials of the unions and the successful push by the TGWU several years ago to increase its voting strength in the building industry's negotiating arm. This resulted in removing Ucatt's previous voting majority.

This is now manifest in a clear desire within the TGWU to try and take over Ucatt and growing poaching of each others members.

- The weak state of Ucatt finances to fight a strike. Ucatt says though that in any case its consultation has shown that a majority of its members are prepared to accept the offer.
- The separate pay agreement between the TGWU and the Building and Allied Trades Joint Industrial Council, which have rises of 8.5 per cent.
- Accusations from Ucatt and from the other unions about the relative skills of each other's negotiators.

TUC launches cash plea to aid jobless

BY NICK GARNETT, LABOUR STAFF

A CASH APPEAL for setting up a national network of centres for the unemployed was launched yesterday by Mr. Len Murray, TUC general secretary.

The TUC has so far set up about 50 centres to give advice on financial and legal problems, organise recreation activities and make representations to local authorities on behalf of the unemployed.

They are part of a TUC programme at creating greater understanding and co-operation from the working population for the unemployed.

Mr. Murray said this would allow the employed to provide some cash support for the jobless and accept some responsibility for them.

The concept of centres, which are not alternatives to Job Centres, was decided upon at a TUC conference on services for the unemployed last November.

Although the TUC has not fixed any target for the cash appeal, officials said yesterday that £10,000 per centre could provide a reasonable amount of services. It wants a centre in every town.

- The TUC has written to Sir Geoffrey Howe, the Chancellor, asking what action the Government intends to take to meet commitments under the International Labour Organisation's Employment Policy convention.

Liverpool faces one-day pay strike by dockers

BY OUR LABOUR STAFF

THE PORT of Liverpool will be halted again from the first shift today and throughout the weekend by an unofficial strike of the 3,500 dockers over their annual pay award.

It will be the second one-day strike in eight days over the package deal following 10 years of uninterrupted annual negotiations without industrial action.

The decision took the port by surprise although the dockers' leaders claimed later they had told the Liverpool Port Employers Association they would be taking the strike action.

They said later that they had decided to carry on with it despite a considerably improved offer made by the employers at the resumed talks yesterday on the deal with the Transport and General Workers Union.

Mr Denis Kelly, chairman of the Mersey Docks Shop Stewards Committee, said the strike decision had already been taken but they would still be considering the latest offer.

The employers' original offer was for a £12 increase on wages and bonuses linked to changes in work practices on which they are insistent. The union's claim is for 13 per cent, about £14 with fringe benefits and no strings attached. No details were released of the improved offer.

Chemical workers' wage action threat backed

BY OUR LABOUR EDITOR

THE TRANSPORT and General Workers Union has officially sanctioned industrial action in the chemical industry following the breakdown of pay talks for process workers in member companies of the Chemical Industries Association.

The decision of the TGWU's executive council means that both the big unions in the industry—the other is the General and Municipal Workers Union—have backed what union officials have said could be "a major confrontation."

Announcing the TGWU decision yesterday, Mr Alex Kitson, acting general secretary, said the union hoped it did not need to use its weapons and that the employers would be prepared to sit down and reach an agreement on wages.

The union's lay governing body also reaffirmed its intention of fighting the so-called Edwardes plan for BL, and to resist as far as it could the closure of the Rover factory in Solihull with the immediate loss of 5,000 jobs.

Technology 'big threat' to printers

NEW TECHNOLOGY is the greatest threat to the printing unions, Mr Joe Wade, general secretary of the National Graphical Association, said yesterday.

Experience in the U.S. and elsewhere suggested that the threat it poses "to our members' jobs is incalculable," he told the Society of Lithographic Artists Designers and Process Workers at its Scarborough conference.

Instant print shops, new technology and fierce competition from abroad, were having a serious impact on the industry, he told the Society.

Foreign companies were competing in quality, service and prices.

Aslef pledge

THE TRAIN drivers' union Aslef yesterday pledged its total opposition to the denationalisation or injection of private capital into nationalised industries.

Specific reference was made at the union's annual conference in London to the proposals announced by the Government this week which invited investors to take a majority stake in three of BR's top hotels.

Ferries ban

P AND O FERRIES' service between Southampton and Le Havre will be disrupted this weekend because of an overtime ban by Southampton dockers, the company said yesterday.

The last sailing from Southampton will be on Friday at 4.30 pm and from Le Havre at 8 am.

Drinks problem

EMPLOYERS ought to help problem drinkers at work, Sir George Young, Junior Health Minister, said yesterday.

Studies showed most problem drinkers were in regular work. Ministers believed much could be done at the work place to help change harmful drinking habits, he said in a written Parliamentary answer.

Holidays claim

BRITAIN'S telecommunications engineers yesterday authorised their union executive to order industrial action—including a strike—if further negotiations over holidays fail.

Lucas faces stoppage over 5% offer

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES faces strike action by aerospace workers following a 5 per cent take-it-or-leave-it pay offer.

The group, which lost £27.47m in the first half year, has told its 59,000 employees that it can afford only an additional £6 a week for skilled workers, £5 for the semi-skilled and £4 for the unskilled.

Lucas, with a wage review date of July for most workers, is at the head of the motor industry pay round. Its success in pushing through a 10 per cent deal in last year's inflationary conditions gave a strong lead to other companies.

Militant action by workers in the troubled motor components sector, where Lucas is seeking a cut of 4,500 jobs, seems unlikely. But feeling is running very high among the 13,000 workers in the profitable aerospace factories, according to Mr Ernie Hunt, Birmingham South district secretary of the Amalgamated Union of Engineering Workers.

All 13,000 workers are to stage one-day protest strikes and two key factories in Birmingham have given notice of a total stoppage from June 27.

A strike at Shaftmoor Lane, which employs 1,000, and York Road, with 500, could cripple Lucas' important aerospace activities and lead to sympathetic action by other factories, Mr. Hunt said.

Lucas has told union officials that wage increases must be limited because of difficult world trading conditions. Management has underlined the need to continue research and development and investment to remain competitive at a time of deep recession.

- Several hundred workers from the Rover car plant in Solihull, West Midlands, marched to the town centre yesterday in an attempt to win support for their campaign against the company's closure plans.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How an upstart squeezed growth out of a shrinking market

Rhys David on the rapid rise of Coloroll, a thrusting wallpaper maker

FOR six hours one evening recently, the Golden Garter Club in Manchester resounded to one of the success stories of British industry. Dancing the night away at company expense were the employees of Coloroll, their wives and husbands, union officials and suppliers, all celebrating record sales by the wall coverings supplier from Nelson, Lancashire.

Less than 10 years ago, Coloroll—today still a private company—was making paper carrier bags for the retail trade, a declining business under threat from plastics. The company now claims to be neck and neck with Crown, the Reed group subsidiary which includes Sanderson and Shand Kydd, as Britain's wallpaper brand leader. The Golden Garter event was to celebrate reaching more than £1m of turnover in one week. This in itself had come about as a result of the company's success in achieving monthly sales 100 per cent up on last April, in wall coverings, where its main line is the Dolly Mixtures range; of the highly successful initial impact from its recent move into textiles; and good sales in its new plastic packaging business.

Significantly Coloroll's wallpaper success has been achieved in a steadily declining overall market. Increased use of paint and of fitted furniture has resulted in the UK market for wallcoverings — all types of paper including vinyls, woodchip and Anaglypta—shrinking from 119m rolls in 1971-72 to only 94m rolls by 1980.

Coloroll, by contrast, is forecasting sales for 1980-81 of more than £20m compared with £18m in 1979-80. Despite the drop in consumer spending last summer, profits are expected to be only slightly down on that year's £3m when the group claims to have made 60 per cent of the total profit earned by the sector. Against the trend in the industry, it has increased its workforce from 280 three years ago to its present total of around 450.

Coloroll's emergence as a major force in the industry started with the appointment of John Bray in 1971 as sales manager to a then ailing company with sales of only around £1m a year. Now aged 44, Bray had been in charge of a Canadian subsidiary of Addis and was offered a stake in Coloroll's equity by its chairman, Alan Gatward, in return for better results.

Shake-up

Bray, who is now the chief executive, was attracted to wallcoverings as an area of expansion for the company partly because the product could be made on Coloroll's existing machinery but also because he judged that both the product and the industry itself were in need of a shake-up. The market was at the time dominated by Crown—responsible as recently as 1967 for 85 per cent of all wallpaper sales—with as many as 20 smaller producers trailing in its wake.

Wallpaper in general—despite the growth taking place in the comparatively new vinyl sector—had become dull, he concluded, and was no longer as attractive as it should be to young marrieds. Bray also observed that the industry was wastefully continuing to offer thousands of different patterns —chosen by customers after leafing through numerous bulky books—even though most sales came from a relatively small band of styles and colours.

There were nevertheless some sectors of the market besides vinyls that were showing signs of growth. The public was rejecting cheaper surface printed paper—often being made on turn of the century machines—but was clearly interested in richer, and somewhat more expensive gravure and flexo printed papers, a small sector of the market that was still growing.

After testing this theory with some success with a range of own-brand labels for retailers like Home Charm, Coloroll brought out its first collection under its own name in 1977, following this up one year later with the launch of its now well-established Dolly Mixtures collection — a range of wallcoverings and specially co-ordinated fabrics. The aim, as John Ashcroft, the firm's managing director explains, was to fill another gap left unexploited by existing wallpaper manufacturers. "Co-ordination had been aimed towards the upper end of the market very successfully by Laura Ashley and Sanderson, rather than at the middle of the market. There was nothing being made for "Mr and Mrs Scandinavian Utility Furniture" —couples living in modern houses with small rooms and wanting a small-patterned, stylish wallpaper" he observes.

With Dolly Mixtures proving an outstanding success commercially in this segment of the market, Coloroll has since sought to cover other sectors with new products such as Swish, a washable paper and Highlights, a new embossed paper catering for the top end of the market which is due to appear soon. Efforts have also been made to develop exports and these now account for some 20 per cent of sales, with the Continent the main market.

The rate of growth which the company can achieve in wallcovering, where it already claims to hold some 20 per cent of the UK market, is clearly now likely to slow down. Much of its sales emphasis, therefore, is likely to be directed towards new areas such as house-hold textiles—a product which Coloroll reckons is suffering from some of the weaknesses it found in wallcoverings, and capable of being re-invigorated in much the same way.

Trevor Humphries

John Ashcroft: supplying small-patterned wallpaper for 'Mr and Mrs Scandinavian Utility Furniture'

The company, which buys in its ranges of bed linen, curtains and other similar products from Vantona and Courtaulds, has gone national in textiles for the first time recently, and has backed this launch with the same stock availability it offers in wallcoverings. Some £750,000 has been invested in stock to ensure retailers can be offered immediate delivery, and a textile sales force recruited.

Coloroll executives reckon that with this approach they can quickly expand the company's share of a total market for the household textiles estimated at £250m a year. "We have a different philosophy from other manufacturers in that we recognise that gross profit is relative to stock turn, and that this in turn depends on the service the supplier offers to the retailer. Traditionally the lead time from manufacturer to retailer in household textiles has been as much as 13 weeks, so that it becomes necessary for the retailer to tie himself up with stocks. Our approach will make it much more profitable for retailers selling our ranges," John Ashcroft claims. The company believes it has already captured around two per cent of the market in household textiles and it is predicting that it will be number three in the highly fragmented branded sheets market by the end of the summer.

The question inevitably is whether Coloroll has succeeded in finding a formula for running difficult businesses, such as wallcoverings, which has eluded much bigger rivals, or whether, particularly with its move into textiles, it will now over-reach itself.

If overall demand in the wallpaper sector does recover significantly as house building revives, Coloroll could find its stock service increasingly difficult to maintain. The company did, however, show itself adept last year in dealing with the reverse problem—the build-up of stock which followed the sudden ending of the consumer spending boom in early summer. Action was taken very quickly to reduce output and employee numbers in Nelson to adjust to the lower level of demand.

Imports

At the same time, the innovations in wallpaper marketing introduced by Coloroll have not gone unnoticed and it is likely to find itself facing tougher competition for shelf space from re-organised rivals. Coloroll has, however, been actively selling to the trade the advantages—as in the supermarket business—of reducing the number of brands carried as a way of improving stock turn and lowering costs.

In textiles, Coloroll has yet to test fully its conviction that business is business, and that the marketing approach adopted for wallpaper will work, for example, in sheets and pillowcases. One major difference between the two sectors is the absence in wallpaper of significant import penetration—currently only around 5 per cent. In household textiles Coloroll is up against strong American, Portuguese and Far East pressure as well as UK competition from Carrington Viyella, Vantona, Lonrho (through its Brentford subsidiary), Courtaulds, Highams and Tootal, Moreover, despite the growth in imports over the past two years in particular, none of the comparatively modern investment in the sector has been scrapped. In consequence Coloroll could find it difficult to make profits in a market where prices could well be undercut by weak sellers for some time to come.

Against this, however, Coloroll executives see a synergistic effect from the combination of textiles and wallcoverings. "New outlets are being found for textiles in DIY shops alongside wallpaper. We can expect a similar increase in wallpaper sales through textile outlets," Ashcroft comments. As for imports, the co-ordinated ranges offered by Coloroll provide retailers with a better selling opportunity, Ashcroft argues. "The importer cannot offer products which cover the whole room."

More important than any of these factors, however, is whether Coloroll maintains its touch for what the public wants. Retailers who commit themselves heavily to Coloroll are unlikely to brook too many mistakes in the selection of designs. And while wallpaper—partly through Coloroll's efforts—has become less dull, it has also become much more fashion-orientated and hence more subject to the whims of the public. Interpreting these is likely more than ever to be the key to success for Coloroll and the competitors who may now try to emulate its progress.

Aiming for a short shelf-life

Coloroll's successful assault on the UK market has been built on the conviction of John Bray, the chief executive, that the concept of covering walls with paper still had a lot of life in it. the decline in the market, he decided, was due to the tiredness of the existing product and the failure of the industry's leading concerns to introduce new selling methods.

The key element in the company's strategy has been stock availability. "It has been common in the past for retailers to have as many as 20 per cent of all lines out of stock, and for orders to take as long as six weeks to get through" explains John Ashcroft, the managing director. "We try to keep 98 per cent availability of all lines and our target is 100 per cent."

Coloroll also tries to ensure a stock turnover of six times a year, and, in order to achieve this, uses selling methods unfamiliar in the wallpaper sector. Major customers will get a weekly telephone call from a sales girl aimed at sweet-talking them into keeping their racks full. This is followed by a personal call, perhaps once every two weeks, from one of their representatives in the 60-strong sales force.

The company's aggressive approach to marketing has at the same time been made possible because of changes in the pattern of retailing for products such as wallcoverings—trends which it again claims to have observed and exploited ahead of its rivals. The specialist wallpaper and paint shops, many of which have traditionally been part of vertical chains through from the manufacturer, have been exposed over recent years to fierce competition from Do-It-Yourself superstores such as Home Charm, Marley, Dodge City and Texas, all offering heavy discounts. Coloroll decided to direct much of its selling towards these outlets and it recognised they could not tolerate empty racks.

Another essential element has been the company's willingness to go out and acquire what it believes to be some of the best talent in the UK wallpaper industry. Ashcroft himself is still only 32 and had previously been a branch manager for Crown and then marketing director of its French subsidiary, before being appointed Colorell's deputy managing director in 1979, and more recently its managing director.

Earlier in 1977 the company recruited John Wilman, one of Crown's top designers, to be its art director. His team includes Linda Beard, a young textile designer who has been responsible for Coloroll's biggest success, its Dolly Mixtures collection. Also in 1977 Bray managed to persuade Bill Dobie, managing director of Paragon, the wallpaper subsidiary of Leyland Paints, to move across and become Coloroll's sales director.

The investment in people has been accompanied by spending of around £1m a year on design, including a large proportion bought in from freelances, and on printing rollers, and by a continuing programme of re-equipment again costing well over £1m a year and financed mainly out of profit. New flexo and gravure printing machinery has enabled the company to go on extending the range of sophisticated and higher value wallpapers it can produce.

Finally, deliberate attempts have been made to cultivate good relations with the 400-strong labour force which is represented by the two hard-headed print unions, the National Graphical Association and the Society of Graphical and Allied Trades. A section of the old cotton mill from which Coloroll operates, houses the staff gym with its three rowing machines, bikes, punchbags, wallbars and other assorted training equipment.

As an illustration of the company's pragmatic approach to industrial relations, when Bray went to 10 Downing Street earlier this year for a reception for successful small and medium business, he took with him Harry Carré, the Sogat father of the chapel (shop steward) at Coloroll.

THE PROPERTY MARKET BY ANDREW TAYLOR

Coin St inquiry adjourned

PLANS BY Greycoat Commercial Estates to redevelop the controversial Coin Street site on London's South Bank received another setback yesterday when a public inquiry into the scheme was adjourned for three months.

Greycoat executives said they were deeply unhappy at the decision by Mr Victor Radmore, the inquiry inspector, to adjourn the hearing until September 8. The company says it will appeal to the High Court to get this decision overturned.

The call to have the inquiry adjourned was backed by the new Labour-controlled Greater London Council which is supporting local action groups in strongly opposing the Coin Street proposals put forward by Greycoat London Estates and Commercial Properties.

The joint developers are proposing to build between 884,000 sq ft and 995,000 sq ft of offices on the 13 acre Coin Street site. Development proposals also include provision for shopping, industry, housing and leisure facilities.

The Coin Street site, next door to the National Theatre, has been surrounded in controversy. This is the second public inquiry to be held in 18 months into development plans for Coin Street.

Following last year's public inquiry Mr Michael Heseltine, Environment Secretary, called for a mixed development on the site. Schemes by both Greycoat and Commercial Properties were among those rejected by the Secretary of State last year.

Greycoat said that it was very disturbed at the further delay in the public inquiry which has already been adjourned once this year. The inquiry originally began before the GLC elections took place last month. However Greycoat said yesterday that it was determined, more than ever, to press ahead with its plans.

If the inquiry finds in favour of Greycoat's and Commercial Properties, then the joint developers would appear to be in a strong position. They have already acquired all the land they need to develop the site from the former Conservative controlled GLC—a deal which was strongly criticised by the then Labour opposition.

However, the land sale is subject to planning permission being granted at the end of the current inquiry into the site. Greycoat Commercial will not be allowed a second bite at the cherry.

Also the new Labour GLC has not ruled out the possibility—should it lose the inquiry decision—of attempting to jeopardise any "unwelcome development" by disrupting or delaying vital road access schemes. This, however, may prove difficult given Labour's modest majority on the GLC, but either way it still looks like being a tough battle ahead.

Coin Street looks like being the forerunner of a number of battles, given the Labour group's views on office development in central London and particularly on the south bank where it believes that priority should be given to housing, industry and community facilities.

The GLC is supporting a rival plan for the Coin Street site proposed by the Association of Waterloo Groups. This calls for 390 flats, a new park, shopping, leisure facilities and accommodation for light industry.

Meanwhile, it has been a mixed week for Greycoat Estates, which has stepped up the marketing campaign for its £70m prestige office development at Cutlers Gardens on the eastern boundaries of the City of London. The scheme is backed by Standard Life Assurance.

The first two office blocks to be completed in the centre have been on the market for about a fortnight but it was not until this week that joint letting agents Richard Main, Baker Harris Saunders and Teacher Marks publicly announced the rents which they will be seeking.

Asking rents for the blocks—of 41,200 sq ft and 74,000 sq ft—will be £17.50 and £18.10 a sq ft respectively. The two buildings are due for completion in July.

The development on the site of the former Port of London Authority warehouse at Cutler Street will eventually provide 500,000 sq ft of office space in seven blocks ranging from 32,000 sq ft to 127,500 sq ft. The whole scheme is due for completion at the end of this year.

Davy stays put

DAVY MCKEE, the power engineering and construction arm of Davy Corporation, will not after all be moving into the Greycoat Estates 150,000 sq ft office development around the corner from London's Euston Station.

Davy agreed to take the offices around 18 months ago but since then the construction industry has moved into recession and the company is now re-evaluating its space requirements.

As a result Davy McKee has asked Goodman Mann to find a new tenant for the building at 250 Euston Road, which is being developed jointly by Greycoat and Camden Council. The scheme which is due for completion next month has been funded by Legal and General.

Depending on the response from potential tenants, Davy has not entirely ruled out the possibility of taking some of the space at Euston Road; but this would appear to be unlikely at this stage.

Under the terms of the deal with Davy rents have been agreed on the basis of the prevailing market rate for the area but with Davy paying a modest discount below this figure. The terms of the lease are understood to run for 25 years

● Meanwhile, Amey Roadstone Corporation is looking for a tenant for its former headquarters at 15 Stanhope Gate, London W1. The building group, a subsidiary of Consolidated Goldfields, is asking a rent of £225,000 for the 16,000 sq ft building. Anthony Lipton is representing Amey Roadstene, which is also considering the possible sale of its leasehold interests in the building.

New market seeks home

A CITY HOME is being sought for London's new financial futures market, which is due to open its doors for the first time in spring 1982.

A shortlist of five likely addresses has been drawn up by City agents Richard Saunders and three possibilities have been chosen for closer investigation by architects Whinney Mackay Lewis.

It is not an easy task given the strict requirements of the market's steering committee—headed by Mr. John Barkshire, chairman of Mercantile House—and the shortage of good quality commercial space in the City's central area.

"We are initially looking for a market floor with a minimum space requirement of 6,000 sq ft and unimpeded by central columns. It has been very difficult," says Mr. Barkshire.

The London Financial Futures Exchange will also need a further 3,000 to 4,000 sq ft of office accommodation to house market staff but this need not necessarily be in the same building as the market itself.

Investment co-ownership plan

THE DOMINANT position of the institutions in prime property investment came up again this week. This time, however, the accent was on the consequences for other investors in the market.

Noting that current prime yields had maintained their position of three months ago—offices 4¼ per cent, shops 3¾ per cent, industrials 6¼ per cent on their sample — Healey and Baker said this week that the reduction in MLR in the Budget had enabled non-institutional purchasers of property to become more aggressive in making investment acquisitions.

"Over the last three months," says Healey and Baker, "there has been a notable upsurge of interest in properties that fall short of prime quality, by property companies, private trusts and the like."

Martyn Meade would agree with these sentiments. Meade is co-founder of Meade Lerner, property investment consultants, which this week launched a new investment vehicle—Property Investment Co-ownership Trusts—for investors who have been priced out of the prime property market but would still like to own their own pieces of bricks and mortar.

Meade says: "As surveyors we have seen many clients, private individuals, corporations, family trusts, small pension funds, which have expressed a desire to own specific property investments rather than taking shares in a managed portfolio."

Meade Lerner aims to fill the gap by creating trusts for which Barclays Bank will act as trustee. These trusts, with a maximum number of ten participants investing a minimum of £25,000 each, will invest in single properties in the £100,000-£1m price range.

Income and capital upon disposal will be distributed gross, aiming to please small pension funds in the high yielding areas and high tax-payers in more reversionary situations.

Discussions of the merits of any investment situation will have to wait until Meade Lerner puts up specific properties for sale. However, Meade's example of a £150,000 shopping centre to yield 14.71 per cent gross brought the odd wry comment from the market.

"The higher the yield" said one specialist, "the more likely it is that you will sacrifice location, not only in terms of a particular town but the positioning of the site within that town. On a 4 per cent yield basis you would need compound growth of 9 per cent a year to keep pace with gilts; at 8 per cent you need 5 per cent rental growth plus a little more for the risk; and at 14 per cent you could be talking about no prospect of growth at all."

Meade himself does not want to be tied to the high yield concept though he maintains that growth record, sound tenure and the 14.71 per cent yield can be proved in this case. "The proof of the pudding," he says, "will be in the eating": investors, of course, will want to study the menu.

William Cochrane

● Bayerische Landesbank Girozentrale has taken 10,400 sq ft of space at 33 King Street, London, EC2 at an initial annual rent thought to be around £200,000 Debenham Tewson and Chinnocks represented the Bavarian bank while Jones Lang Wootton represented the landlords Norwich Union.

● Prudential Assurance together with IDC Property Investors has acquired a 7 acre industrial site in Billet Road, London, E.17. Work has already started on a 144,000 sq ft industrial/warehouse scheme to provide units ranging from 2,350 sq ft to 24,000 sq ft. Rents of between £3.25 and £4 a sq ft are being quoted by letting agents Edward Erdman. The first units will be available early next year.

● Berkeley Hambro Property has let 55 High Holborn, London WC1 to Trans-International Life Insurance which is paying an initial rent of £150,000 (£13.15 a sq ft) for the the 11,400 sq ft self-contained office block. De Groot Collis and Michael Laurie were letting agents and Herring Son and Daw represented Trans-International.

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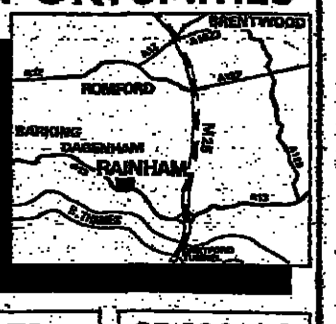

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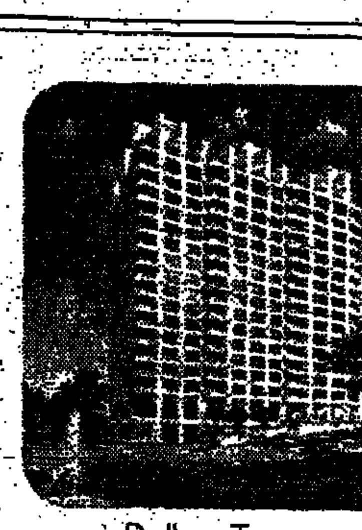

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A FINANCIAL TIMES SURVEY
UK PROPERTY
MONDAY, 13th JULY, 1981

The Financial Times is planning to publish a Survey on UK property. The provisional editorial synopsis and date are set out below.

1. INTRODUCTION
   The property market has displayed a continuing resilience during the recession. Tenant demand and rental growth have generally weakened but capital values and investment interest have remained firm. Could a delayed reaction to the recession be on the way?
2. DEVELOPMENT
   The pattern of development has been mixed and highly selective: in most provincial centres new office schemes are now becoming viable again. Is there a serious oversupply of new industrial space?
3. INVESTMENT
   Yields for most types of prime property remain at very low levels, reflecting intense competition among investors for the limited number of purchasing opportunities becoming available. Are institutional criteria for property investment changing?
4. SHARES
5. INDUSTRIAL SECTOR
6. RETAIL SECTOR
7. OFFICE SECTOR
8. LEGISLATION
9. INNER CITIES AND ENTERPRISE ZONES
10. THE DEVELOPMENT INDUSTRY AND CONSERVATION

The remainder of the Survey will comprise individual articles on the property markets in the following locations:
SCOTLAND
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NORTH-WEST
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Tronoh Mines Malaysia Berhad
(Incorporated in Malaysia)

Extracts from the Statement by the Chairman, Y. M. Raja Badrol Ahmad, for the year ended 31st December 1980

Past Year's Performance

The results for the year ended 31st December 1980 are not strictly comparable with those for the preceding year because your company ceased to have an interest in its *only operating subsidiary, Bidor Malaya Tin Sendirian* Berhad, as from 1st August 1980. This significant change is discussed in a separate section of this statement.

Although indications were that the grade of ground worked by your company's two dredges would be low, the actual recovery was even lower than anticipated and in particular the production of No. 2 Dredge was disappointing. Consequently, total production declined to 531,920 kg (8,795 piculs) from the 633,410 kg (10,473 piculs) achieved in 1979.

Of the total production by Bidor Malaya Tin Sendirian Berhad, 638,010 kg (10,549 piculs) was attributable to your company in respect of the period during which your company had an interest in that company.

The average tin metal price improved to $35.78 per kg ($2,164 per picul) from $32.90 per kg ($1,990 per picul) in 1979. The average net price received per kg (picul) likewise *increased to $19.40 ($1,173) from $17.92 ($1,084) in 1979.*

The consolidated accounts of the group for the year ended 31st December 1980 show a mining profit of $4,670,000 *compared with $13,602,000 in 1979. This substantial decrease* was due to the consolidation of only seven months' results from Bidor Malaya Tin Sendirian Berhad and the decline in tin concentrate recovered from the company's two dredges. The increase in the costs of production from 115.76 sen to 117.51 sen per cubic metre mined was also a major factor in reducing the mining profit. The increase was largely due to a rise of approximately 50% in the cost of power, which forms a significant proportion of total mining expenditure.

The associated companies recorded a reduction in profits due largely to a fall in the level of production. As a result the company's share of profits from this source decreased to $11,606,000 compared with $13,528,000 in 1979. Interest receivable also decreased from $2,495,000 in 1979 to $2,217,000 in 1980. However, dividends receivable improved from $617,000 in 1979 to $831,000 for the year under review.

After deducting the provision for taxation of $10,289,000 and the profit of $778,000 attributable to minority shareholders in subsidiaries, the net profit attributable to your company was $8,257,000 which was equivalent to earnings per share of 80 sen.

Dividend

In October 1980, an interim dividend of 55 sen per share, less tax at 40%, was paid. A final dividend of 55 sen per share, less tax at 40%, has been recommended by your directors. The final dividend, if approved at the annual general meeting to be held on 29th June 1981, will be paid on 30th June 1981 and will bring the total dividend for the year to 110 sen per share, less tax at 40%.

Projections for the Current Year

Production by your company's two dredges for the first three months of the current financial year shows an improvement over the same period last year. If production continues to improve over the remaining nine months and provided the tin price does not fall significantly I hope to be able to report higher earnings from your company's mining operations for the year ending 31st December 1981.

Based on half yearly statements issued by the associated companies, your company's share of the profits of these companies is not expected to improve over the level achieved in 1980.

Developments During the Year

The most significant event was your company's acceptance of an offer by Malayan Tin Dredging (M) Berhad (MTD) to merge your company's only operating subsidiary, Bidor Malaya Tin Sendirian Berhad (BMT) with MTD. As a result, your company's 51% holding in BMT was exchanged for 9,211,390 shares of 10 sen each in MTD. These MTD shares represent 4.83% of the current issued capital of MTD.

As can be seen from the results for 1980, the immediate effect of the exchange of shares is a decline in the profit attributable to your company. However, I am confident that *the long term benefits to be derived from the resources of* MTD and the marketability of its shares will safeguard your company's income potential.

By an agreement with *Malaysia Mining Corporation* Berhad (MMC), one of the partners of the South Selangor Joint Venture, your company secured a 5% interest in the project. In addition to the provision of capital for this interest, initially estimated to be in the region of $1.5 million, your company will contribute its share of the cost of a mining feasibility study currently being carried out, subject to a maximum of $142,900, and will guarantee one-seventh of the first 50% of the total loan required by the joint venture company.

The construction of the dredge at Tapah Road by Timah Dermawan Sendirian Berhad in which your company has a 30% interest, is progressing satisfactorily. It is envisaged that the new dredge will commence operations as scheduled early in 1982. Your company has now subscribed $2,565,000 of the issued capital of Timah Dermawan Sendirian Berhad.

Approval has just been granted by the Thai authorities to repatriate the funds arising from the sale of the former Thailand Joint Venture's assets. Arrangements are being made to remit the proceeds by instalments over the next twelve months in accordance with the terms of the approval.

Under the cost plus approach for calculating export duty first introduced in the 1980 National Budget, a threshold price was fixed and export duty was applicable when tin prices exceeded $1,200 per picul. With effect from 15th December 1980 this threshold price was revised to $1,400 per picul and this higher base has reduced the total export duty payable by your company. It is hoped that the Government will keep the threshold price under constant review in the light of increasing production costs.

The Fifth International Tin Agreement is due to expire in June this year. Up to the present time the tin producing and consuming nations have been unable to reach agreement on the terms of a sixth agreement. Consequently, the Fifth Agreement has been extended by one year to 30th June 1982 to enable outstanding differences to be discussed. It is hoped that these differences, which are mainly related to export control and the size and financing of the Buffer Stock, will eventually be settled and that a new agreement will operate for the benefit of producers.

25th May 1981

Copies of the Report and Accounts and Chairman's Statement can be obtained from the Registrars, Charter Consolidated Limited, Charter House, Park Street, Ashford, Kent TN24 8EQ.

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LOMBARD

Ulster—an end to muddling through

BY ARTHUR SANDLES

SOME TEN years ago the then editor of this newspaper suggested that it would be better if I ceased my brief spell as Our Man in Belfast: I had become, in his words, too emotionally involved. The involvement was in fact a deep anger. There was much talk at the time of a middle way and of the hope for the future resting with the silent majority. My own anger was drawn from the difficulty in finding this assumed majority. If it was there then, and if it is there now, it has remained silent. On every side there was a commitment to one view or another.

A decade later little has changed. New generations are replacing old, but the young are mouthing the same words as their parents did. And in London the British Government still has no policy for Northern Ireland. The one place where there is no will for a solution is in Government itself. There is, of course, a prayer, a hope that the cavalry of reason will ride over the Ulster hills and rescue us all from this appalling mess.

Dilemma

The difference between British Government attitudes and those of the warring parties in Northern Ireland is that, while both the Republican movement and the Loyalists know precisely where they want the province to be in 20 years time, there is little indication that the British Government has the same clarity of view.

Ten years ago the policy of groping forward in the hope of achieving a period of peace, and then using the lull for round table discussions, seemed reasonable enough. Today it is surely clear that, even if calm were achieved or imposed, round table discussions would have little hope of even starting, never mind succeeding.

It is up to London, therefore, to produce a policy. It must declare its intent. What is to happen to Northern Ireland?

The difficulties are obvious enough. With one third of the population likely to favour union, or certainly closer links with the south, and two thirds opposed to such a move, the dilemma for any liberal minded theorist is considerable. How do you match the theories of "one man, one vote" and those of minority rights?

The plain fact is that you cannot. The time has surely arrived when someone's rights have to be ignored for the common good. Northern Ireland is an open wound which has bled for long enough.

The first decision to be taken is whether or not Northern Ireland is to remain part of the United Kingdom for ever. Mrs Thatcher has echoed previous British answers to this question by stressing that the province will remain a province for as long as the majority wish it to be. Does she mean that once there is a majority for union with the Republic, a majority vote produced by reason or fear, then the six counties will change flag?

If she does then it is time for the Irish Government and the British Government to get together and jointly state that the future of Northern Ireland is under debate; that Britain itself does not regard Northern Ireland as a permanent jewel in her crown; and that these two sovereign states will together work towards the political solution for which everyone currently yearns.

Such action might, and indeed almost certainly would, produce a wave of violence from the Loyalist side to match the current turbulence from the Republicans. But sadly we have come to live with violence and, almost whatever else is done, violence is not going to leave the scene.

Endless

Any solution to the Northern Ireland problem is going to require the swallowing of some bitter pills. We may talk about compromise as much as we like. But unless Dublin or London is prepared to reverse their present half-hearted policies the fighting will go on endlessly.

Having been deeply involved in Northern Ireland at one time I have spent many of the more recent years observing the problem from a considerable distance. I was in the U.S. the week that Bobby Sands died. From the other side of the Atlantic the frustrations of it all were once again apparent. But this time the need for positive action cried out from the television screens.

As I found 10 years ago, the anger of Ireland is infectious and long lasting. Its cure, however, is in action, not hope.

The case for another science park

BY IAN HAMILTON FAZEY

AROUND BRITAIN

WARRINGTON

A PUBLIC inquiry later this year will probably hear a great deal about "sunrise industries," each of which has a high-technology base and, given the right conditions, may exhibit rapid growth. In the U.S., where the term was coined, the most notable example spawned California's Silicon Valley.

The inquiry will take place in Cheshire. At issue will be the plans of Warrington and Runcorn Development Corporation to build its third, and biggest, science park. The 100-acre site, near the village of Appleton, will be Warrington New Town's first industrial footstep south of the Mersey into the county's up-market residential and farming belt.

Warrington already has one such scheme, the Birchwood Science Park, near the junction of the M6 and the M62, about six miles north-east of Appleton. Its 70 acres are now fully committed and so rapid has been its success that work is now under way on a second park, the Birchwood Science Boulevard, a 30-acre strip down the side of the M6 near where it crosses the Liverpool-Manchester railway.

The science park concept developed in the U.S. around Stanford University and along Highway 28, the freeway between Boston and Cambridge, Mass. Academics set up small factories to exploit their expertise and many became very rich. Now, the science park notion is synonymous with the fusion of know-how and financial backing in controlled entrepreneurial explosions.

Three have been started recently in Britain—by Trinity College, Cambridge, by Heriot-Watt University, Edinburgh, and at Birchwood. Unlike the others, which sprang from an academic base, Warrington's greenfields venture is straightforwardly commercial. It has proved job-creating, and looks like being a runaway success.

American companies, already attuned to the idea, accounted for eight of the first 12 into the Birchwood Science Park. They include two computer giants, Data General and Digital Equipment Corporation, the medical technology specialists, Instrumentation Laboratory, and International Polymers.

The park's principal attraction appears to be its location. Not only do adjacent motorways give rapid road access everywhere, but rail services are good and Manchester International Airport is only 20 minutes away. Also, with Merseyside, Manchester, Preston and Stoke each within 40 minutes' driving, there is a massive pool of graduate labour from the North-West's universities and polytechnics.

Private investment in the science park amounts to £27m. Some companies have built for themselves while others have leased space in buildings put up by the development corporation. All of the buildings are striking, with a deliberate "pavilion" style. Combined with good landscaping, this gives the appearance of a university campus. On a sunny spring day there is even a whiff of California in the air.

Special provision for smaller companies has been made this year in a building of futuristic appearance, known as Genesis. That has 43,670 sq ft of space and can be let in units of as little as 500 sq ft each.

First into Genesis last January was LSI Computers, with 1,000 sq ft for its northern sales and service operations. The company plans to take another 1,500 sq ft for research and development and envisages a production facility in the Birchwood Science Boulevard to supplement present manufacture at Woking, Surrey.

Business has accelerated from £45,000 turnover in January to £110,000 in April, with May also at a six-figure level. The main product, a British mini-computer that uses new data storage technology to undercut foreign competitors by more than 50 per cent, is selling well enough to convince Mr David Ferguson, its director, that the recession is over. His company plans to go public next year.

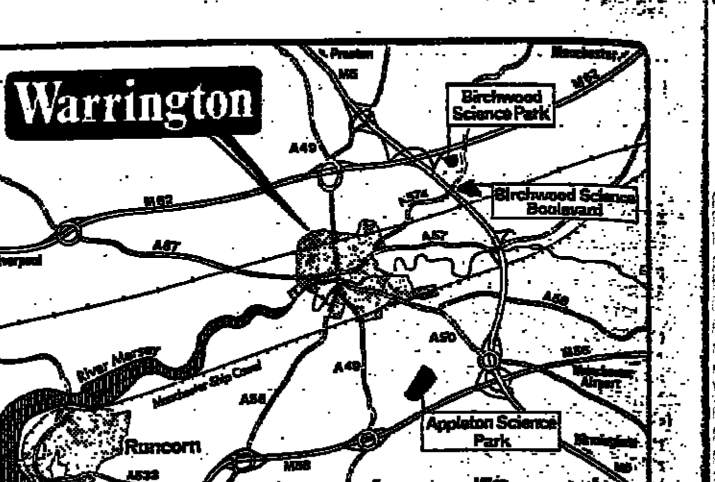
Next door to the Genesis building is MetEval, another British company, which specialises in non-destructive testing, using microcomputers to analyse data from the ultrasonic equipment the company designs to test such things as pipelines and reaction vessels.

MetEval started in 1974 in a Warrington back street, was taken over by the Esperanza subsidiary, BIX International, in 1977 and moved into the science park in 1980. Of 56 employees, half are graduates or equivalently-qualified. Turnover has grown from £291,000 to £666,000 in five years and profits from £19,000 to £97,000. MetEval now plans extensions to double its present 12,000 sq ft.

Birchwood undoubtedly had a flying start from what was already on the ground five years ago. The science park was deliberately abutted to Warrington's Risley industrial area where both the UK Atomic Energy Authority and British Nuclear Fuels have large units. This year BNFL began site work on a new £19m engineering office complex in the science park, strengthening ties further.

The success of the science park has come despite a relative lack of financial inducements, compared, say, with Merseyside just down the motorway. Regional development grants for the area stopped last year and intermediate status goes in 1982. Mr. David Binns, general manager of the development corporation, says wryly that while "selective financial assistance" is technically available, the initials SFA usually mean something else.

But he and his staff believe that the benefits they offer are what has brought success. They believe, too, that location, ambience, the pool of highly qualified labour, and Birchwood's track record will attract companies to the projected Appleton Science Park — if the corporation wins at the public inquiry.



Marion Sedger

Path of Peace faces stiff task

RACING

BY DOMINIC WIGAN

IT IS CANADA DRY again at Epsom this afternoon where it is surprising to find Lester Piggott without a mount in the £10,000 added Northern Dancer Stakes, a race he lifted a year ago on Halyudh.

Ten are due to go to post for this always tricky mile and a half handicap. Ballytop and Path of Peace chase hat tricks.

Ballytop gave Aberfield three pounds and a four length beating on fast ground at Thirsk three weeks ago. But I consider that Path of Peace's effort in the Tresche Stakes on that same course a few days earlier was a better one.

Held up by Jimmy Bleasdale, who lost the ride on Shotgun in the Derby to Piggott, Path of Peace was asked for his effort only when close to home. Quickening in fine style, the Chris Thornton trained five-year-old mastered Blake's Beacon to win a shade cleverly by a neck.

A reproduction of that form achieved in soft ground will see Path of Peace proving difficult to beat. But he will have his work cut out to beat another talented performer used to shouldering big weight—Luca Cumani's Get Stoned.

The Newmarket challenger who got bogged down in holding conditions on the Knavesmire last time out, might well have trouble with Side Track and Simla, to both of whom he gave weight in the Ladbroke's Hotels Silver Trophy in the spring. He found problems in finding a clear run but finished only three lengths adrift of Side Track to whom he was trying to concede 7lbs.

Now that Barnet Heir has been scratched from the opener, the Canada House Sprint Handicap, I believe backers will be best advised to turn to Pontin Lad.

After Get Stoned is put through his paces in the Northern Dancer Stakes, his in-form stable companion, Alma Ata ought to make light of her task in the Scotch Corner Stakes at Catterick. Later in the afternoon, Stan Mellor's fast improving Same Date can defy a penalty in the Merrybent Stakes.

EPSOM

2.00—Pontin Lad
2.35—French Knot
3.10—Get Stoned**
3.40—Cheap Seat
4.15—Sweet Andy
4.50—Och Aye

CATTERICK

2.45—Karen's Birthday
3.45—Alma Ata***
4.15—Run For Her Life
4.45—Same Date*

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You and Me. 12.05 pm For Schools, Colleges. 1.12 Regional News for England (except London). 1.15 News. 1.30 Mr Benn. 2.02 For Schools, Colleges. 3.25 Trem. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00). 4.20 Captain Caveman. 4.30 The Humpbacked Pony. 5.20 Newsround Extra. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide, including 6.45 Sportswide.
7.00 Tom and Jerry.
7.10 It's a Knockout.
8.00 Des O-Connor Tonight.
8.50 Points of View.
9.00 News.
9.25 Knots Landing.
†10.15 Public School (London and South-East).
10.50 The Late Film: "Waltz Of The Toreadors," starring Peter Sellers.

All Regions as BBC 1 except as follows:—

Cymru/Wales — 1.30-1.45 pm Bys a Bawd. 5.20-5.40 Gari Gylifer. 5.55-6.20 Wales Today. 7.10 Heddiw. 7.35-8.00 Trem: Y Dylluan. 10.15 Week In Week Out. 11.05 News for Wales. 11.06-12.35 am The Late Film: "Universal Soldier," starring George Lazenby.

Scotland—1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.50 News for Scotland, National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Rock in the City. 10.45-10.50 News for Northern Ireland, National News. 12.35 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 10.15-10.45 East (Norwich) Weekend; Midlands (Birmingham) College Rags '81; North (Leeds) Chopper Trials; North-East (Newcastle) Counter Revolution; North-West (Manchester) Sweet and Sour South (Southampton) It Could Happen To You; South-West (Plymouth) According to Hoyle; West (Bristol) Public Life: The Housing Jungle.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Pot Black.
6.55 Junior Pot Black.
7.40 Mid-evening News.
7.50 Impressions.
8.00 Gardeners' World.
8.25 New Jobs for Old?
9.00 Call My Bluff.
9.30 Playhouse.
10.40 Deborah Shaw plays Feux d'artifice by Debussy.
10.45 Newsnight.
11.30 A World of Jazz.
†11.55 The Outer Limiters.

LONDON

9.30 am Schools Programmes. 12.00 The Magic Ball. 12.10 pm Once Upon a Time. 12.30 Lifesavers. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take the High Road. 2.00 Houseparty. 2.25 Racing from Epsom covering the 2.35, 3.10 and 3.40 races. 3.50 Superstar Profile. 4.20 The Adventures of Black Beauty. 4.45 Get It Together. 5.15 Sale of the Century.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 Winner Takes All.
7.30 Return of the Saint.
8.30 The Misfits.
9.00 The Professionals.
10.00 News.
10.30 Till Death . . . starring Warren Mitchell and Dandy Nichols.
11.00 The London Programme.
11.35 Have Girls Will Travel.
12.30 am Close: Personal Choice with Jane Lapotaire.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 3.50 The Entertainers. 5.15 Winner Takes All. 6.00 About Anglia. 7.00 Sale of the Century. 10.30 WKRP in Cincinnati. 11.00 Members Only. 11.30 Friday Late Film: "Trilogy Of Terror." 12.55 am Your Choice.

ATV

1.20 pm ATV News. 3.50 In Search of . . . The Coming Ice Age. 6.00 ATV Today, including ATV Sport. 7.30 Vegas. 10.30 WKRP in Cincinnati. 11.00 ATV News. 11.05 The Gunfighters: "Gone With the West," starring James Caan.

... Doctor Down Under. 7.30 Vegas. 10.30 A Week on Friday. 11.00 Soap. 11.30 Darts World Knock-out Cup. 12.05 After all that, this. †12.15 am For Adults Only: Lon Chaney Jr in "Witchcraft."

HTV

1.20 pm HTV News. 3.50 George Hamilton IV. 6.00 Report West. 6.30 WKRP in Cincinnati. 7.30 Vegas. 10.28 HTV News. 10.35 Show Extra. 11.05 Soap. 11.35 Danger UXB.

HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 4.45-5.15 Gwylwyr Yr Haul. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.05 Outlook.

SCOTTISH

1.20 pm News, Road, Weather. 1.30 Andy's Party. 3.50 Mr. and Mrs. 6.00 Scotland Today. 6.30 WKRP in Cincinnati. 7.30 BJ and the Bear. 10.30 Ways and Means. 11.00 Late Call. 11.05 Movies Through Midnight: "Foreign Exchange," starring Robert Horton.

SOUTHERN

1.20 pm Southern News. 3.50 The Story of Wine. 6.00 Day By Day. 6.00 Scene South-East (South-East Area only). 6.30 Survival. 10.35 The Barry Westwood Talkabout. 11.20 Soap. 11.50 The Late, Late Show: "Company Limited."

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 3.50 The Wild, Wild World of Animals. 5.15 Clapperboard. 6.00 North-East News. 6.02 Sportstime. ...

BORDER

CHANNEL

GRAMPIAN

GRANADA

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

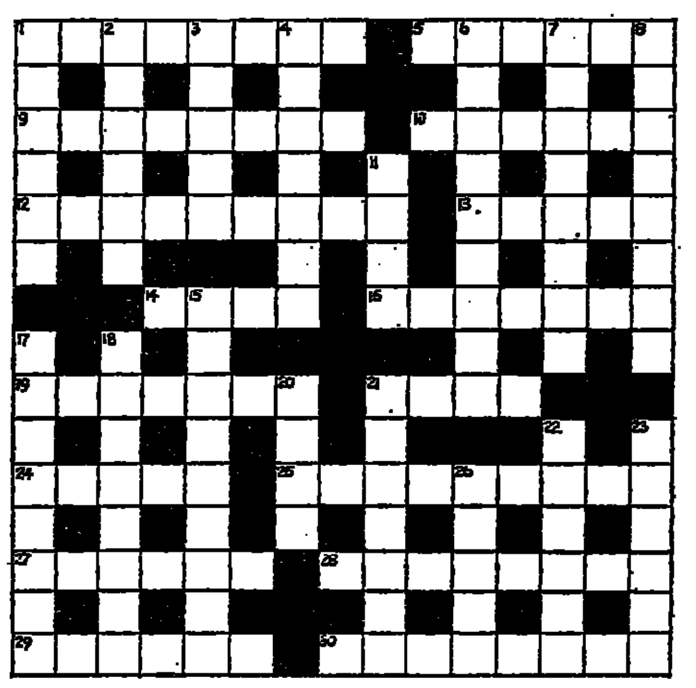
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,586



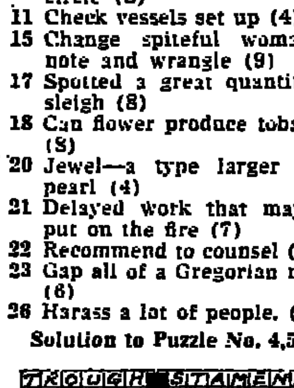
ACROSS

1 Twist given to smoker gives something in the throat . . . (8)
5 . . . and twist a helix (6)
9 Where the west wind blows (8)
10 Emaciated and colloquially miserly (6)
12 Middle part that joiners use (6-3)
13 Turner, whichever way one looks at it (5)
14 Buttons on one side? (4)
16 Unfortunate soldier or beggar (4, 3)
19 Render for each about the utmost (7)
21 Cook a Scottish biscuit (4)
24 Seat to carry in triumph (5)
25 The rear of the foot, used to reverse one's course of action (4-5)
27 All the mixture could be deadly (6)
28 Dead as one's partner may be (8)
29 Sully a vessel in study (6)
30 Food container having a slight gloss (8)

DOWN

1 Sprain a tool (6)
2 Small number confess prying (6)
3 A great deal of strength (5)
4 Short paragraph capable of forming a story (7)
6 A bugbear taking employment and burning wood (5-4)
7 Shakespeare's period for giving jewellery (4-4)
8 Horticultural process from non-professional Easter circle (8)
11 Check vessels set up (4)
15 Change spiteful woman a note and wrangle (9)
17 Spotted a great quantity in sleigh (8)
18 Can flower produce tobacco? (8)
20 Jewel—a type larger than pearl (4)
21 Delayed work that may be put on the fire (7)
22 Recommend to counsel (6)
23 Gap all of a Gregorian mode (6)
26 Harass a lot of people. (5)

Solution to Puzzle No. 4,585



ENTERTAINMENT GUIDE

BALLET & OPERA

COLISEUM. June 15 to July 11. NUREYEV FESTIVAL. June 15 to 20 GISELLE with London Festival Ballet. Rudolf Nureyev will dance at every performance.

COVENT GARDEN. 240 1066 S (Gardencharge CC 836 6903). 65 amphiseats avail for all perfs from 10 am on the day of perf. SADLER'S WELLS ROYAL BALLET. Ton't at 7.30 Checkmate. Brouillards. Paquita. Tomor at 7.30 Paquita. Checkmate. Elite Syncopations. Tues at 7.30 Sinfonietta. The Two Pigeons. Wed at 7.30 Brouillards. The Two Pigeons. THE ROYAL OPERA Mon & Thurs at 7.30 Luisa Miller.

GLYNDEBOURNE Festival Opera with the London Philharmonic Orchestra. Until August 11. Few tkts still available some August perfs only. Tonight 5.55, Sun 4.55 Il barbiere di Siviglia. Tomor & Wed 4.55 Le nozze di Figaro. SOLD OUT Tel for possible returns. BOX OFFICE 0273 812411/813424.

SADLER'S WELLS THEATRE EC1. Tel: 01-837 1672 1673 3856. Credit Cards 10 am to 6 pm 01-278 0871. Group Sales Box Office 01-379 6061. Last Two Perfs. GUILDHALL OPERA Evs at 7.30. Tonight Ten Belles Without a Ring plus La Cambiale di Matrimonio. Tomor The Marriage of Figaro. Tkts £1 to £4.50. June 8 to 20 MERCE CUNNINGHAM DANCE COMPANY.

THEATRES

ADELPHI. S. CC. 01-836 7611. Evs. 7.30. Sat. 4.00 & 7.45. Mats. Thurs. 3.00. TONY BRITTON, JILL MARTIN, PETER BAYLISS and ANNA NEAGLE in MY FAIR LADY. Now booking through to October. For group bookings telephone 01-836 7358 or 01-379 6061.

ALBERY. 01-836 3878 CC bkgs. 379 6565 Grp. bkgs. 836 3962 or 379 6061 Evs. 8.00. Thurs. Mat. 3.0. Stalls from £2.90. Sat. 5.00 and 8.15. Sian Phillips. Denis Lawson (Most Promising New Actor DRAMA AWARD 1980). Rodgers and Hart's musical PAL JOEY.

ALDWYCH. S 836 6404. CC 379 6233 (10-6. Sats 10-4). Info 836 5332 ROYAL SHAKESPEARE COMPANY NICHOLAS NICKLEBY. Ton't part 2 7.00 pm. Few day seats and returns avail. But seats avail. for Beaumont's THE KNIGHT OF THE BURNING PESTLE. Prestel 22025. Group Sales 379 6061. RSC also at The Warehouse Piccadilly.

AMBASSADORS. S. CC. 836 1171. Evs. 8.00. Tues. Mat. 3.0. Sat. 5.30 and 8.30. RECORD BREAKING RUN of J. B. PRIESTLEY'S Mystery Play DANGEROUS CORNER. Acclaimed revival of Priestley's most popular play. Seat prices from £3.00.

APOLLO. Shaftesbury Ave. CC 437 2663. OPENS JUNE 10 at 7.00 FOR 3 WEEKS ONLY. CLIVE JAMES, PAMELA STEPHENSON, RUSSELL DAVIS ...

CINEMAS

CLUBS

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Covent Garden

Checkmate

It is right and proper in this golden jubilee season of the Royal Ballet that Ninette de Valois be recognised as choreographer as well as founding figure, and gratifying that her *Checkmate* should return so strongly to the SWRB repertory on Wednesday. It is a ballet which shows off many of Dame Ninette's qualities as a creator: skill in construction, sure dramatics, use of folk-dance elements, all are admirably present in a work which is very much of its period—the late thirties—but has not dated.

It also reveals de Valois' eagerness to involve the finest available talents in collaboration: the choice of the commercial artist McKnight Kauffer was ideal to provide decoration; the score from Sir Arthur Bliss relates directly to Dame Ninette's determination that a good orchestra at the Wells in the early years would ensure the participation of the best English composers.

The ballet dates from 1937, when the coming war was already to be perceived; tragically relevant still, the conflict between the red and black pieces maintains its hold on our emotions — and harrows them by its inevitability. And the ballet still challenges its interpreters. Wednesday's performance was brave, clearly purposeful, excellently shaped. Margaret Barbieri was a malign, beautiful Black Queen; David Ashmole caught all the innocence of the Red Knight as *preux chevalier*, David Bintley produced a dignified reading of the Red King in the opening scenes, and then gave free rein to his expressive ability in his death throes. He misses some of the terror that Helpmann brought to the role, but this début suggested fine things to come.

The ensemble was sure, and the ballet's stature was clear. Like de Valois's *Rake's Progress* and, I would urge, *Job*, it has a permanent place in the repertory.

The evening opened with the academic delights of *Paquita*. Galina Samsova's staging is a treasure-house of variations, and their ascription to Petipa is as valid as that of many other dances which pass under his name — not least in other versions of this same *Grand pas*. Samsova herself was gleamingly good in the central role, and the SWRB artists show much greater stylistic authority and ease in their transcendental solos than when the piece was new last season.

The score is attributed to Minkus — though I would put money on Drigo, and several other Maryinsky masters, as having a hand in it: none of them, however, were responsible for some puzzling re-orchestration that has crept in. I am not in favour of gilding the waxen lilies of Minkus's talent.

CLEMENT CRISP

Comedy

Billy Bishop Goes to War

The Canadian war hero Billy Bishop went to war with our own Royal Flying Corps in 1917. In just over a year he accounted for 72 enemy aircraft and, after receiving three medals from George V, was sent home with thanks to be institutionalised as a colonial hero.

John Gray's deft musical two-hander seemed to me in the hubbub of last year's Edinburgh Festival to be fascinating in its account of the colonial superiority complex but somewhat frayed and jingoistic in its denunciation of war. The assessment still stands: we are, after all, attuned to this sort of statement ever since *Oh What a Lovely War*.

However, the production by Mr Gray, which originates from the Vancouver East Cultural Centre, is a model of economy and stagecraft and it boasts, in the performance of Eric Peterson as Billy, a beautifully restrained and finally moving account of a national hero who achieved that status for all the wrong reasons. One can appreciate its resonance for Canadians. Without wishing to sound unduly patronising, the show is of only passing interest to London audiences.

The lone pilot is a figure of modern literary romance. Yeats's Irishman forseeing his death comes to mind, as do certain passages in Saint-Exupéry's *Vol de Nuit*. With the author seated at a piano, Eric Peterson conjures Bishop's fascinating impulse to escape his accident-prone career in the cavalry by literally rising above it. The blood just springs from no other motive than a desire for the quiet life, and the landlubber Establishment—in the various figures of Bishop's socialite aunt in Portman Square, General John Higgins and Buckingham Palace flunkeys—is brilliantly painted in by the versatile Mr Peterson.

Instead of Bishop's death (in fact, he died peacefully in 1956 in Florida) we are left with the hero addressing recruits for the Second War in a tone of bemused resignation. Here, as elsewhere, the presentational conjunction of lights, music and sound effects is truly breathtaking. The large-scale gestures, such as the magical appearance of a bi-plane when the corrugated iron hangar background divides, are all the more effective for the small-scale, almost conversational, ambience of the show.

MICHAEL COVENEY

Leonard Burt

Eric Peterson

Cinema

Fun off the job by NIGEL ANDREWS

That Sinking Feeling (A) ICA
Nighthawks (X) Plaza
Portrait of Teresa (A) Gate 3 Camden Town
Soldier Girls (AA) and 1 + 1 = 3 (AA) Paris Pullman and Phoenix East Finchley

Bill Forsyth's *That Sinking Feeling*, virtually the first Scottish feature film, is a small triumph of screw-loose social comedy. Films sometimes have a habit of convoying like buses and, just to confuse you, Forsyth's second film, *Gregory's Girl*, is already completed and will open in London next week. But don't be bewildered by the head-to-tailing, nor misled by the contrasting treatment given the two films. *That Sinking Feeling* has a humble unveiling at the ICA, *Gregory's Girl* gets a marginally smarter showcasing at the Screen Islington Green. But the first movie is more than a match for its successor and if you're torn between the two you should plump for the fresher, sharper pleasures of *That Sinking Feeling*.

Forsyth has made the almost impossible — a high-octane comedy about unemployment. Sleuthing after the truth in bleakest Glasgow, he homes in on a group of jobless teenagers, led by lank-haired Ronnie (Robert Buchanan), whose school-leavers' *anomie* expresses itself in wizened witticisms over the morning cornflakes or trading in cigarettes with their pint-sized juniors (age, in Glasgow as in Belfast, seems to know no distinctions of hardboiled maturity) or cooking up ever knokier schemes for money-making.

It's one of these, a heist brainwave involving the theft of 90 stainless-steel sinks from a plumbers' warehouse, that fuels the movie's "plot": although, by the time we actually get round to the burglarious break-and-enter, Forsyth has so vividly sketched his tousle-haired, tousle-brained characters and their throwaway repartee that we hardly need the extra motor of a cliffhanging caper at all.

The film has its own nonchalant rhythm, its own carefree jaggedness of structure — sequences are bitten off abruptly in mid-flow or begin again *in medias res*. Some scenes have a long shaggy-dog life all their own, like Ronnie's scat-solemn, heel-kicking monologue addressed to a statue in the park where he's waiting for a friend. Others are swift, zany hiccoughs in the narrative, like the after-heist scene in which one of the boys takes his sinks to an art gallery, and a keen dealer, mistaking them for an exhibit, whips out his cheque-book to buy.

There are other instances, by contrast, where the film's roughness works against it. The too-bleached colour photography is often an eyesore, and there's a dire miscalculation in Forsyth's casting of a boy as the cranky old warehouse nightwatchman whose eye for the ladies allows two of the teenage thieves to dress up in drag and divert him. Suddenly, with under-age mugging and grimacing in an over-age role, the film turns into precisely the Amateur Cine Club romp which elsewhere, against nigh-impossible odds, it avoids and transcends.

Mostly, though, *That Sinking Feeling* is one of the brightest British comedies since the heyday of Ealing and for Scotland a clear signpost to a cinema future.

★

In *Nighthawks* Sylvester Stallone dons a swarthy black beard and a beret to play an undercover New York policeman. He still seems recognisable at 50 feet as the adenoidal plug-ugly better known in shaven circles as "Rocky": but then *Nighthawks* makes a speciality of doing nothing significantly novel and pretending that it's hoeing exciting new ground.

A German anarchist named Wulfgar (Rutger Hauer) is spreading terrorist terror from Europe to Manhattan, and Stallone and his black aide Billy De Williams are promoted from humdrum fieldwork in NY's sleasier purlieus, among the prostitutes and drug-pushers, to pursuing this bomb-tossing menace. Quite what Herr Wulfgar's political platform is, as he proceeds from atrocity to atrocity (even bombing a well-known London store in a UK-set prologue), the film does not elucidate. Motivational niceties are less its province than broad strokes of chase-thriller hokum, as the firm of Stallone and Williams cut a violent swathe through night-clubs, night streets, discotheques and other picturesque venues towards a ponderously pendulous climax in a jammed cable-car high above the East River.

One doesn't expect great art or great statements from a cops-and-robbers film. But one does expect at least suspense and a token credibility, and *Nighthawks* doesn't deliver either. Stallone, falling into the villain's hands at one point, is given the extra lease-of-life that is the exclusive prerogative of cornered heroes in third-rate thrillers ("I'm not going to kill you yet, but . . .") and the movie ends with a trick twist that blatantly cheats on plausibility. *Nighthawks* plugs into a topical theme—the elusive, guerrilla menace of the modern-day terrorist, the difficulty of finding that "face in the crowd"—but brings to it nothing but the archaic, corner-cutting, cloak-and-dagger rituals of TV crime-fighting.

★

Pastor Vega's *Portrait of Teresa*, from Cuba, is feminist cinema with an unsmiling face but a vividly beating heart. Family life in Paradiso Castro has taken a turn for the more complicated, it would seem, ever since the Revolution put women into men's jobs and thus gave them equal status and independence with males. Teresa (Daysi Granados) is the harassed wife-and-mother who incarnates Women's Lib Havana-style, trying to turn the 24 hours of one day into an elastic container for work, domestic life and her activities as leader of her factory's dance-and-theatre group; and Ramon (Adolfo Llaurado) is her male-chauvinist husband, slow to grasp the nettle of women's independence and inclined to rant at his spouse over the uncooked meals and the heads of the un-bedded children.

Although the movie is ceremoniously unrolling a thesis, it has the emotional minutiae of its story exactly right and it boasts the psychological triumph of Miss Granados's performance as the heroine: a battered, once-beautiful, seldom-smiling Mother Courage whose innate generosity of spirit is luminously felt though seldom put on show. Cinematically, *Portrait of Teresa* is primal, not to say primitive, filmmaking-by-numbers: a rough-grained plonking down of the camera wherever the dramatic action seems likely to hot up the most. But the camera's servitude hardly matters when it serves performances as fine as this and a subtly evolving human story that hardly misses a beat in perception, plausibility and simple power.

★

Feminist themes also snort and paw the ground, this time in double-harness, at the Paris-Pullman: the two hander being *Solied Girls* and *1+1=3*. The first was made in America by Nick Broomfield and Joan Churchill, the British documentary duo who made *Juvcline Liaison* and *Tattooed Tears*, and takes us on a conducted tour of life in a woman's army training camp.

Private Benjamin it isn't, especially when a male drill sergeant demonstrates a training point (although what the point was I couldn't quite grasp) by biting the head off a live chicken. But there's also a sense that the horrors aren't as many or as intense as the directors hoped. The physical rigours look less-than-excruciating, and when the camera is left running on long scenes of would-be savage "psyching-out" by the officers of the cadets—three-to-one insult sessions in closed rooms — blood somehow isn't drawn. Either the victims have already developed hides of steel or the assailants' invective needs re-honing.

Heidi Genée's *1+1=3* is a thinnish but genial German comedy about pregnant Katerina (Adelheid Arndt) and the baby she's determined to have on her own terms. She won't have an abortion, as her friends urge; she won't marry the father, a young stoop-shouldered student, as he urges; and she won't marry her current lover either, an earnestly jolly divorcé who wants to take her unto him lock, stock and offspring. Bright, humane, believable — could do with a little more bite.

★

Another German film, *Germany Pale Mother*, opens at the Screen on the Hill this week. Unfortunately influenza struck me down before I could attend the Press show. I hope to see and review the film next week.

Sylvester Stallone and Billy Dee Williams in 'Nighthawks'

Architecture

New wine—old bottles

by GILLIAN DARLEY

Reading some of the recent reports on the decline of rural areas, together with the ingredients suggested for revival, it becomes increasingly hard to realise that the countryside once harboured not just the worker in field and forest but a diverse range of other essentially industrial activities. From Wat Tyler onwards, the activists of rural society tended to be not farm workers but skilled tradesmen of one description or another. Nevertheless, with all the force of a revelation, many are now turning to the "novel" concept of rural-based industry—the potential revival of villages could be through village-based enterprises.

The problems that brought into being the rigid zoning regulations which justify present planning rationale were the threat of expansion and the possibility of pollution — whether by noise, odour, substance or visual intrusion. These were fair objections—though undoubtedly rigid adherence to these principles also nipped in the bud many a harmless-enough initiative which could have provided invaluable employment and encouragement in areas of dwindling economic potential. More recently, however, the face of industry, changing dramatically, is, potentially, pointing back to the countryside and this time its coming does not offer the same threats at all.

The technologically advanced micro-electronics industry could undoubtedly, be a source of rescue for many corners of the countryside. By their nature the small new independent firms in this field offer almost no environmental threats. They thrive in business terms by remaining relatively small.

One characteristic of these enterprises is their relatively inconspicuous nature. Thus Mellordata, a firm set up seven years ago on a barge by Geoffrey Mellor and his wife, now operates in a barn outside East Bergholt in Essex without any sign of its existence whatsoever. A workforce of 17 (of which a number are peripatetic, travelling on sales mission or service work) are employed in providing video terminal systems — they have just supplied the new airport at Brunei—while nearly, in a corner of a country house, the research and development arm is lodged in congenial surroundings amidst parkland and rolling countryside a mile or two outside Ipswich. The next step, retaining the two existing premises, is to convert the robust 19th-century maltings adjoining Mellor's delightful mill house outside Kersey into manufacturing, sales and service quarters for the company. With minimal adaptation—principally, the addition of a range of dormer windows lighting the upper storey — the maltings, with their immense unbroken length will provide flexible and sturdy premises. The kiln adjoining is envisaged as a conference room. The benefits of this project will, Mellor hopes, extend to the 18th-century mill alongside (complete with a usable set of 19th- and early 20th-century machinery) and allow this to be restored, as a commercial, rather than philanthropic, venture.

A similar exchange of benefits is envisaged by Anthony Roberts who already uses a timber-framed barn at Michelmersh, Hampshire, as his own research laboratory office. Roberts' firm, C I Electronics (based in Salisbury) is in the field of ultra-sensitive electronic weighing equipment (for the pharmaceutical and diamond industries among others). He finds the benefits of a fully-equipped office a field away from his house enormous. Obvious savings in travelling time and overheads, as well as a highly congenial setting with a magnificent view out over the Test valley hardly need emphasising. As the remainder of the farm buildings are repaired Roberts envisages a proportion of them being used for meeting and conference venues for the business, whilst the major part of the sizeable complex will be given over for community use for the village. To this end the farm buildings are owned by a Trust. Although employment on the repair of the buildings is one aspect of the benefits that such a use implies, Roberts believes that the connections go further and that a company such as his can, directly or indirectly, play a full part in sustaining the life of an area.

In coming to terms with the present and future in the countryside, it is ironic that what is now regarded as exciting and novel, as well as a hopeful sign for the future, is—in the essentials—as old as the hills. Quite simply it is the privilege to be able to live and work in your own backyard.

Seven works of art saved for the nation

Sixteen applications for export licences for works of art were considered by the reviewing committee on the Export of Works of Art between July 1979 and June 1980, states the committes 26th report just published.

Four of the objects concerned were not considered to be of national importance and licences were granted. A licence was withheld for a specified period in the case of 11 objects: seven of these were bought by museums and galleries in the United Kingdom; four were eventually allowed to be exported because no UK public collection was able to make the necessary offer to purchase them.

The committee describes the year under review as a period of consolidation.

The report, *Export of Works of Art 1979-80* (Cmnd 8243), is published by HMSO at £3.90.

COMPANY NOTICES

FINANCIAL TIMES

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Friday June 5 1981

First kick of a dying horse

MR MICHAEL FOOT'S address to the Shadow Cabinet on Wednesday deserves to be read in full. In many ways it was a model performance. It was a defence of Parliamentary democracy—of the right of an MP to vote and speak as he or she thinks right rather than as *mandated by a party or party* organisation.

It was also one of the first intellectual demolition jobs on Mr Tony Benn to come from the Left. Mr Benn's inconsistencies are exposed: for example, his tendency to believe that there can be "one rule for Tony and another for everybody else," his claim that the wish of the party conference is always clear and his recent behaviour on Northern Ireland where, *far* from consulting the bulk of the party. Mr Benn seems to have gone off on his own.

Challenge

Mr Foot was also right in detecting that Mr Benn's challenge for the deputy leadership is not really aimed solely at Mr Denis Healey, the present deputy leader, but ultimately at Mr Foot himself. He urged Mr Benn to come into the open, and make the challenge outright. Not surprisingly, Mr Benn has declined. He knows that it is a challenge that he cannot win—or at least not yet.

But Mr Benn is still there, still challenging for the deputy leadership. That is the first weakness in Mr Foot's position. It will take more than one speech and more than one reassertion of the rights of Parliamentary democracy to put down Mr Benn and his supporters. If they have one quality between them, it is their utter relentlessness. Mr Foot has left it a bit late to resist.

Weakness

The other weaknesses are legion. Mr Foot did not conceal that on most issues of policy he and Mr. Benn are more or less at one. Northern Ireland may be a conspicuous exception, but on Europe and nuclear disarmament — two of the areas singled out by Mr Foot on Wednesday—it is very difficult to detect much difference between them. Mr Benn wants to withdraw from the European Community; so does Mr Foot. Mr Benn is opposed to the basing of American nuclear weapons on British soil; so is Mr Foot.

It is true that Mr Foot has never shown much interest in economic policy, but again it would be very hard to show that his ideas on the role of the trade unions or on the need for state intervention differ very much from those of Mr Benn. One does not recall his having made a speech warning against protectionism or demanding greater competition.

On all these matters Mr Foot's thinking differs markedly from that of Mr Healey. Mr Foot cannot go to the Parliamentary Party or to the "shadow" Cabinet or to the Party conference and say that it would be in their best interests to support the existing leadership, presumably because he does not believe it. Mr Healey is pro-NATO, pro-Europe, and pro-the mixed economy. It is impossible for the present leadership to offer a convincing united front. All that Mr Foot can offer is Bennery without Benn, and even in that he may fail. In fact, the Labour Party would be in disarray even without Mr Benn. That is why Mr Foot was elected leader in the first place.

Alliance

Mr Foot has a theory that sooner or later the country will again want to be governed by a party with strong links to the trades unions. It is not to be lightly dismissed: certainly it is unlikely that the unions will be *always as quiescent as they have* been in the past year or so. Yet even here Mr Foot seems to be living in the past. It is the old Labour Party to which he harks back—when the alliance with the unions was natural. Today many union members no longer support Labour and indeed swayed the last General Election in favour of Mrs Thatcher. Mr Foot fails to recognise this process of social change.

It is possible that what we are seeing is the break-up of the Party altogether, evidenced first by the defection of some of the Social Democrats and now by the increasing isolation of Mr Healey. Mr Foot was right to speak up at last, but it still looks like the first kick of a dying horse. On the present performance, the Labour Party has outlived its usefulness.

Consequences of sterling's fall

IT IS characteristic of the foreign exchange market that a sudden downward lurch in the sterling exchange rate should crystallise sentiments which have been building up over months. Abroad, President Reagan has replaced Mrs Thatcher as the patron saint of monetarism and free enterprise. In London, the gilt market has remained visibly unconvinced of the chances of lasting success against British inflation. The UK's current account statistics have been rendered invisible by an industrial dispute, but the assumption is that they have deteriorated. The world oil market has been in glut for some time, but it has taken an adjustment in the price of Mexican crude to trigger a general re-evaluation of sterling's attraction as a petro-currency.

D-Mark rate

The resulting fall in the sterling-dollar rate is somewhat deceptive. It has gone from \$2.40 at the start of the year to \$2.07 last Friday, to \$1.93 last night—a total decline of 20 per cent. Yet the sterling D-Mark rate was the same last night, at DM 4.69 as it was at the start of the year, while the sterling trade weighted index has fallen by 5.2 per cent over the intervening period with the greater part occurring since last Friday. These figures suggest that the re-evaluation of sterlin's rate against Continental currencies may have only just begun, whereas the re-evaluation of the dollar against European currencies has already gone some way.

Purchasing power

Should we praise or deplore this new development? It is an answer to many of industry's complaints over the last 18 months. Since early 1979, according to some daunting calculations by the International Monetary Fund, the UK's unit labour costs have risen by 50 per cent relative to those in all other countries, largely on the back of the sterling exchange rate. The fall in sterling will ease the problem of exporters. It should ease the mounting British pressure for protectionism, but it will also ease pressures which have done something to reduce inefficiencies in British boardrooms and on factory floors.

British consumers are threatened with an end to a period when they have had an extraordinary international purchasing power relative to the value-added being produced by the British economy. The Government must be very sensitive to the implied inflationary threat. The reduction of retail price inflation from 17 per cent to 12 per cent is the best that this Conservative Government can show for its painful efforts to date: it must be extremely perturbed if the exchange rate now erodes this achievement.

The sudden focus of the exchange markets upon sterling produces the first real currency *test for this Government since* it took office — till now, an over-valued currency has been broadly consistent with its economic aims. Yet it is important that the Government does not now over-react to what could well prove another excessive swing in an always volatile market. The Bank of England must use its \$26bn of reserves and its skills at laying traps and applying squeezes to smooth the movements of sterling, rather than to defend a given level.

Opportunity

Till now the Government has been able to tailor its interest rate policy exclusively to monetary control and, with short rates of only 11 per cent compared with 18 per cent on the dollar and 22 per cent on the *French franc, it has been per*mitted to remain aloof from the cries for interest rate disarmament coming from the continent.

The new pressure on sterling poses a threat to the relatively normal shape of the UK's yield curve, but the Government must not become too exchange rate conscious. The pound's weakness brings with it both an inflationary impulse and a sudden sales opportunity abroad for British industry. Hence there is both the need and the excuse for the Government to rediscover a solid commitment to the aim of keeping growth in sterling M3 within the declared range of 6-10 per cent, even if this implies somewhat higher interest rates.

BELOW THE \$2 BARRIER

Why the pound has plummeted

By David Marsh

IT is not just sterling that has come down to earth with a bump this week. Mrs. Thatcher's Government faces its first real currency test since the Conservatives took office 25 months ago.

Buffeted by declining world oil prices, high U.S. interest rates, and waning international confidence in Britain's economic policies, the pound appears to have lost the charmed petro-currency status that had protected it from the general exchange rate turbulence of the past six months.

After months on the sidelines, sterling is now caught up—along with the battered *Continental currencies—in the* backlash of the rampant dollar and high U.S. interest rates.

The pound has dropped below \$2 for the first time in two and a half years—although it is still a long way above the low point of \$1.55 reached in 1976—and, significantly, has also started to weaken against other major currencies too.

As one senior dealer at a major U.S. bank in London put it yesterday: "The \$2 level was a magic number. Sentiment has changed in 24 hours. We've had a year and a half of a super-strong pound—and suddenly it is as if it had all never taken place."

The decline could hardly have come at a more difficult time. It confronts a non-interventtionist Government with the dilemma of whether to take action to stop the rot—or whether to let the pound's slide weaken a cornerstone of its anti-inflation policy.

For two years British industry has been complaining that the pound has been over-valued and there was some optimism on the Stock Exchange yesterday that the pound's drop would boost the profitability of companies which rely heavily on exports.

But there are three problem *areas.*

First, the fall may have little initial effect in aiding exports—because new orders work though into deliveries only after relatively long lags. The immediate impact will be to push up inflation by increasing the sterling cost of imported goods and raw materials.

Second, if the international energy glut forces not only a cut in Britain's North Sea oil prices but also a reduction in output. Britain's current account balance of payments may suffer. This could happen when the large surpluses of the last year were anyway beginning to evaporate.

Third and worst of all, the decline in the pound is almost certain to delay any further cut in UK interest rates, and may this prolong the recession

Indeed with UK interest rates now low by international standards following defensive credit tightening action in West Germany and France, some analysts in the City even fear that the next move in Minimum Lending *Rate could be upward.*

Mrs Thatcher herself has said on several occasions that the level of sterling has to be taken into account when decisions are taken on MLR.

Despite all this, however, the fall in sterling has to be seen in perspective. The plunge against the dollar—a fall of more than 6 per cent during the past four days, and 20 per cent *since the beginning of November*—is part of a much wider realignment of currencies.

The past six months have been one of the most turbulent periods for international currencies—and particularly the credit markets — since floating exchange rates started nearly a decade ago. The dollar has risen by 26 per cent against the Deutsche Mark, 29 per cent against the French franc and 8 per cent against the yen.

The run into the dollar partly reflects developments that central banks can do little to control. With almost every EEC country suffering problems either forming or holding on to governments, world-wide holders of investment funds no longer look at Europe as a number one haven for hot money.

On the other hand, the currency markets are convinced that even if President Reagan's supply-side economics do not bring down U.S. inflation, the Administration's fierce monetary policies will at least keep American interest rates high—which to a foreign owner of dollars is just as good news.

The pound's trade-weighted exchange rate has fallen by over 4 per cent so far this week to its lowest for a year. But because sterling, up until the past few days at least, has remained firm against Continen*tal currencies,* the trade-weighted rate—at around 95 per cent of its 1975 value—is still higher than it was in the four-and-a-half years up to mid-1980.

Because of the relative stability of the trade-weighted rate and the widely-held conviction (particularly at the Bank of England) that sterling had anyway been over-valued, British officials are refusing to get too alarmed over the sudden bout of weakness.

To use the nautical metaphor of Mr Gordon Richardson, the Bank's governor, the authorities' job in such circumstances is simply to keep "a hand on the tiller" rather than to try to turn the tide through massive intervention.

Treasury Ministers have been pleased that the Bank—in accord with the Government's monetarist orthodoxy — has been giving sterling a relatively clean float during the past few months.

Particularly in view of the American Government's policy of intervention, Britain will almost certainly continue to allow the pound's performance to be determined largely by market forces.

The pound has not faced a big test in the market place since all restrictions on the movement of funds out of Britain were lifted with the abolition of exchange controls in October 1979.

Attracted by higher interest rates in dollars and other currencies UK residents—ranging from small investors to corporate treasurers—this year have taken advantage of their new-found freedom to build up large foreign currency accounts with British banks.

These switches have undoubtedly helped put pressure on the pound.

In spite of Bank of England efforts to restrain the reserve currency use of the pound, oil exporting states, along with central banks from other countries, have rapidly added to their sterling holdings, both in London and on the Euromarket, *during the past year and a half.*

Dealers in London say that selling of pounds during the last few days has been particularly strong from Switzerland and France. This may partly represent switching of oil states' investments routed through Continental banks.

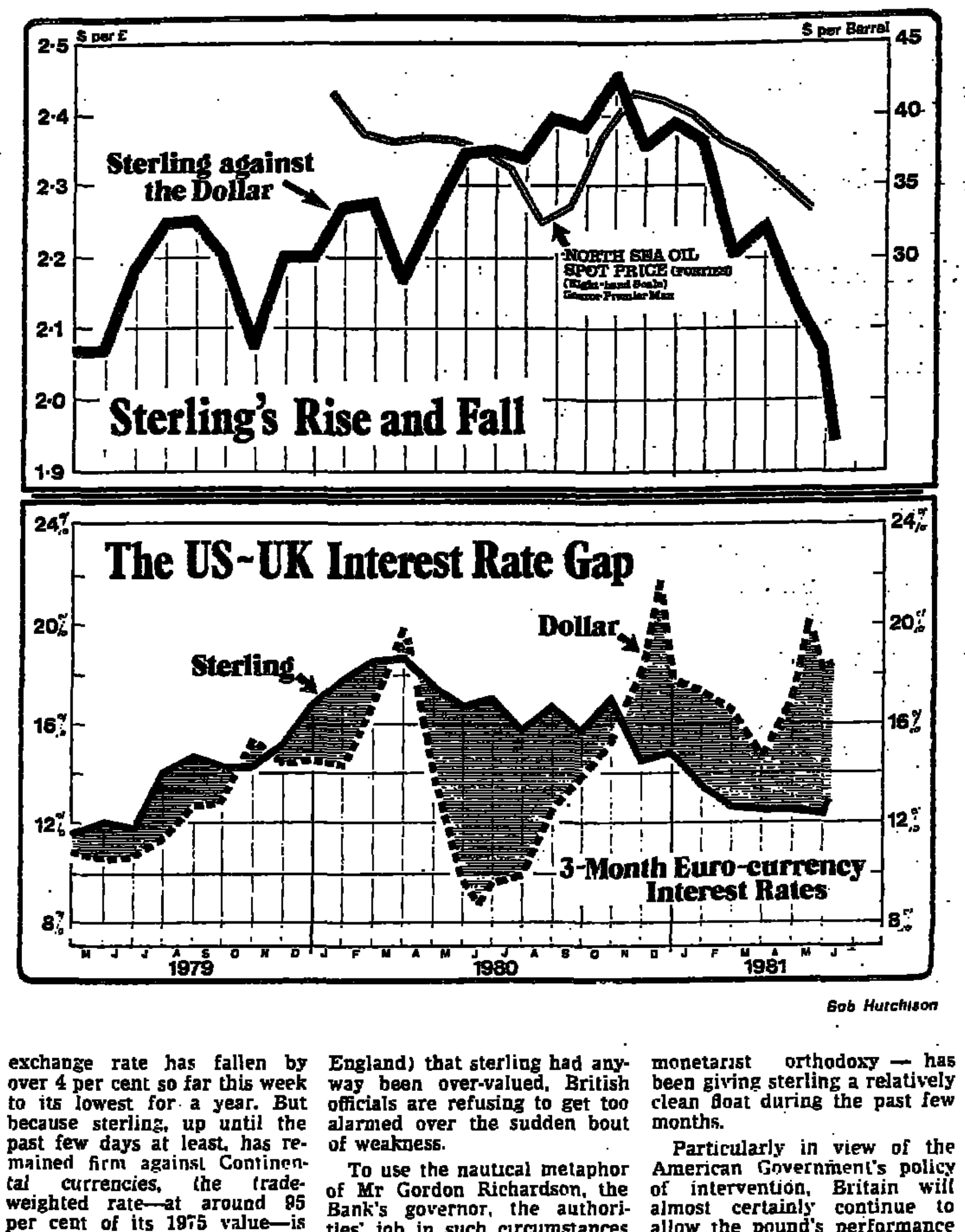
Large reserve currency holdings of sterling are also tied up in fixed maturity deposits—normally for three or six months—in London. Dealers say these deposits are not particularly stable and may be liquidated later.

With Britain's reserves of gold and foreign exchange standing at \$25.5bn, in spite of large repayments of foreign debt, and the money supply at last showing signs of coming under control, there is no danger of the same sort of flight out of the pound that occurred in 1976.

But the pound may be vulnerable to further pressure if low-inflation currencies like the D-Mark and Swiss franc—against which sterling is still relatively strong — start to recover.

Although the rules have been put into abeyance during the topsy-turvy exchange rate movements of the past two years, the ultimate currency determinant is inflation—and here the prospects do not look good.

If the City is right, inflation has now bottomed at the current level of 11 to 12 per cent—after dropping from the 1980 peak of 22 per cent—compared with 10 per cent when the Government took office.



Bob Hutchison

A decline that has been too quick for comfort

A YEAR ago industrialists often said that they could survive with a sterling rate against the dollar of about \$2.10 to \$2.15 because they had been forced by economic circumstances dramatically to improve their international competitiveness. They no longer needed the cushion of a rate in the \$1.80 to \$1.90 range—such levels would be a luxury that Mrs. Thatcher had taught them to live without.

Now the pound has come down into that luxury range—but far too quickly for most industrialists' liking. In addition, a vast area of British manufacturing industry imports *raw material in dollar contracts* and then exports its products to Europe, often pricing them in DMs. Its problems have therefore worsened considerably in the past week or so because sharply rising raw material prices cannot be recouped in Europe.

On the other hand, exporters with contracts in dollars are now congratulating themselves for hanging on to business at increasingly unprofitable margins during the months when the pound was high. The currency movements are unlikely to have any rapid impact on business activity, but such companies are looking forward to improved profits.

This cross-current of reactions shows in an extremely generalised way how industry is reacting to the sharp fall in *sterling against the dollar and* the far more limited movements against European currencies.

Britain's major motor companies are sceptical that the current downtrend in sterling will be sustained, believing that upwards pressures will resume when the oil glut fades. Only if the pound stayed low for some months might there be some chance of improving performance in the European markets on which they are now heavily dependent, they consider.

All have ben operating their export trade on extremely compressed margins, or at a loss, with BL last year attributing £150m of its gross deficit to adverse currency movements.

Unlike some other manufacturers, none of the major car *companies sees the implicit* rise in the cost of raw materials and other imports as a major disadvantage. They say that this problem is totally over-ridden by the need to bring sterling down. As one executive said yesterday: "We can't have it both ways."

BL's problems are illustrated by the just-launched T45 truck 7range in Europe. The original intention was to give equal priority to Belgium, Holland and France. But the unfavourable parity with the two former countries has obliged it instead to concentrate on France, where the balance is more favourable.

Mr. George Simpson, managing director of Coventry Climax, the BL fork lift truck subsidiary, said yesterday: "The weakening of the pound against European currencies would be much more significant for us."

The aerospace industry stands to benefit from a prolonged weakening of sterling against the dollar. Rolls-Royce, for example, could recover from the hammering it took on dollar exchange losses last year, having under-estimated the strengthening of the pound when contracting at fixed prices two to three years ago.

On the other hand, Britain's petrol companies, which are suffering mounting losses on their refining operations, view the continuing fall of the pound with dismay. BP Oil said there would be a further "deterioration" in its position.

But UK chemical companies, which were hard-hit by the strength of sterling last year, are giving the fall in the pound a cautious welcome.

Imperial Chemical Industries, which attributed half the fall in its profits last year to the strengthening of sterling, said the movement of the pound against the U.S. dollar was having a relatively neutral effect.

So, on balance, the continuing strength of the pound against European currencies has cancelled out the gain for many companies of the fall against the dollar and industry remains generally unhappy.

As one industrialist in the North East remarked last night: "The floods of petro money washing around and the chaotic international money markets mean I don't know from one day to the next where I can be sure of exporting profitably."

John Elliott

Additional research by Sue Cameron, Hazel Duffy and John Griffiths.

MEN AND MATTERS

Doyle's calling

Bernard Doyle may be taking a substantial cut in his salary as he takes up his position as chief executive of the Social Democratic Party, but one imagines that the fire of politics is somewhat more agreeable than the frying pan of Britain's beleagured engineering industry.

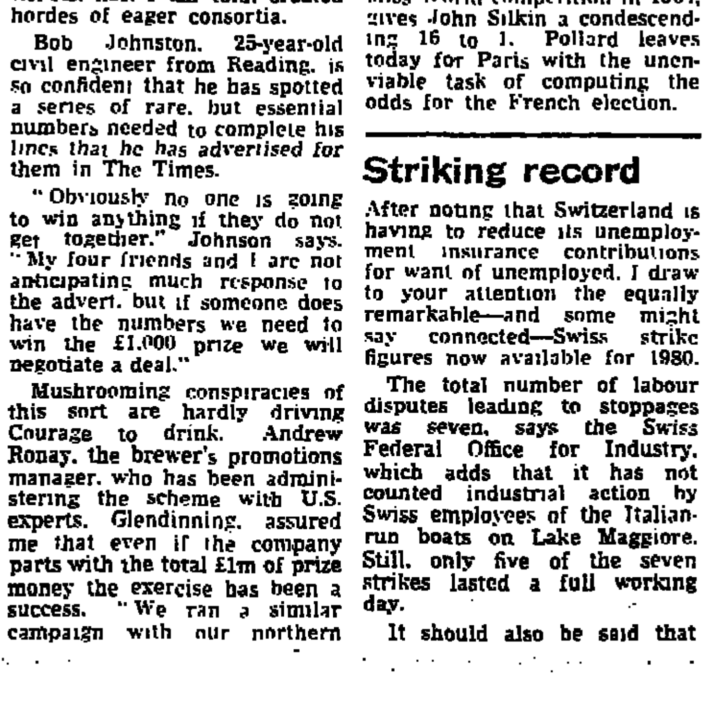
As chairman of Booker McConnell's engineering division, Doyle has had to negotiate some *rough water over the past year.* While in 1979 the group's engineering interests returned the biggest single contribution to BM with profits of £5.88m, they slumped this year to a £1.35m loss.

Doyle, 40, who graduated as a civil engineer from Manchester University and progressed through Harvard Business School and on to British Rail before he joined Booker's, will be missed by his colleagues. Jack Shepherd managing director of the group's mining machinery subsidiary, Fletcher Sutcliffe Wild, was fulsome in his praise when I rang him last night, though he added that Doyle's appointment by the SDP, had surprised him.

"The truth of the matter is that he never struck me as a politician, though he has strong views. We'll all be sad to lose him," he said.

Perhaps the most formidable aspect to Doyle's new role will be to reform the somewhat eccentric organisation at the party's Queen Anne's Gate offices.

When I rang for confirmation of his appointment, I found *myself mysteriously connected* to their Advanced Programming department and then was promptly transferred to someone trying to get an outside line.



Bitter fruits

The pioneering spirit of British enterprise battles on, but has temporarily adjourned to the saloon bar. The Courage brewery's lottery campaign, involving the free distribution of "fruit machine" and bingo-type tickets, has, I am told, created hordes of eager consortia.

Bob Johnston, 25-year-old civil engineer from Reading, is so confident that he has spotted a series of rare, but essential numbers needed to complete his *lines that he has advertised for* them in The Times.

"Obviously no one is going to win anything if they do not get together," Johnson says. "My four friends and I are not anticipating much response to the advert, but if someone does have the numbers we need to win the £1,000 prize we will negotiate a deal."

Mushrooming conspiracies of this sort are hardly driving Courage to drink. Andrew Ronay, the brewer's promotions manager, who has been administering the scheme with U.S. experts, Glendinning, assured me that even if the company parts with the total £1m of prize money the exercise has been a success. "We ran a similar campaign with our northern brewery, John Smith's last year, and it works."

The enterprising Johnston better hurry however. After only six weeks of the 11-week competition 73 per cent of the £1,000 prizes had been won. Consequently, I declined his kind offer of a stake—the £13 cost of his Times advert—in his venture. Courage, mon vieux.

Long shot?

Has the tide finally turned against Tony Benn? Lambasted by Michael Foot, scourged by Jim Callaghan and then struck down by a suspected viral infection, the member for Bristol South East is now less favoured in the Ladbroke's book for the deputy-leadership election.

While on Wednesday morning Benn commanded an impressive Evens against Denis Healey's 8 to 11 on, he has now lengthened to 6 to 4 (with Healey at 4 to 7).

Ron Pollard, who started Ladbroke's special book with the Miss World competition in 1964, gives John Silkin a condescending 16 to 1. Pollard leaves today for Paris with the unenviable task of computing the odds for the French election.

Striking record

After noting that Switzerland is having to reduce its unemployment insurance contributions for want of unemployed, I draw to your attention the equally remarkable—and some might say connected—Swiss strike figures now available for 1980.

The total number of labour disputes leading to stoppages was seven, says the Swiss Federal Office for Industry, which adds that it has not counted industrial action by Swiss employees of the Italian-run boats on Lake Maggiore. Still, only five of the seven strikes lasted a full working day.

It should also be said that 1980 was a bad strike year by Swiss standards. Never in the past 30 years have so many employees—3,590—been involved in strike action. And not since 1976 have so many man-days—5,718—been lost. The country, it would appear, is going to the St Bernards.

Low Marx

Southern Region commuters *still fuming about the latest* unofficial industrial action may be interested to learn that the train drivers' union *Aslef* is carrying the syndicalist struggle out of the stations and into the classroom.

The annual conference of the Left-led union has before it a proposal to allow a special place in the curricula of its occasional National Schools for members, devoted to "the *study of Karl* Marx philosophy."

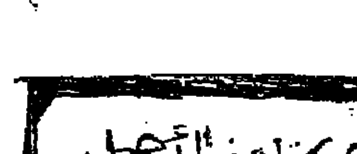
Other branches are proposing amendments to the main motion, which comes from the Aberdeen branch. Suggestions include "Marxist philosophy in pursuit a Socialist society," "the birst of the Labour movement," or even just "politics."

The Ramsgate branch, however, is striving for a balanced view. As well as mulling over Marx, the South Coast men would like to see "Milton Friedman and Maynard Keynes" on the agenda.

Odd calling

The visit to London this week by Allis-Chalmers, the American engineering company, provides me with a long-awaited opportunity to unveil what I trust to be one of the business world's least apposite names. The group sports an International Market Development Services officer who rejoices in the name of Frank Briber.

Observer



FINANCIAL TIMES SURVEY

Friday June 5 1981

South Korea

Although South Korea's new strongman, President Chun Doo Hwan, has heralded a brave "New Era," there is more than a hint of steel behind his order for a vast number of reforms, especially in politics. His country is also unlikely to see an instant economic "miracle," but rather a long period of transition to correct the mistakes of the past.

President Chun Doo Hwan's political stock was boosted by President Ronald Reagan's invitation to become the first allied leader to visit the U.S. after the presidential inauguration

President orders major reforms

By Richard Hanson

THE INTANGIBLES in South Korea, in the words of a *diplomat* in Seoul, look a lot better than they have in a long time. *Glimmers of economic recovery, after a disastrous drop in real GNP last year, are showing up in official statistics.* The Government appears firmly in command, and except for the occasional column of tanks rumbling through curfew-emptied downtown streets before dawn, a visitor sees few reminders of how dangerous things were a year ago.

As the Deputy Prime Minister, *Shin Byeng Hyun (who also heads the Economic Planning Board) comments:* "We are out of the tunnel," and moving toward a "very slow and steady" economic recovery.

There are few who would argue that South Korea has not made considerable progress in putting its house back in order, since the dark days of spring, 1980. The prospect that the years of advances were about to slip away so frightened Koreans as to make many thankful for a simple end to political chaos.

The events of 1980 have by no means been erased from memory. There is still considerable bitterness among educated Koreans about how the Army once again proved the "politics of military force" (a term first used to describe the methods that neighbouring Japan used to take, early this century) to be the decisive force in South Korea.

But a brief reminder of what has passed under the bridge is useful in putting the current sense of relief, among most people, into perspective. It should be recalled that for nearly two decades, the South was ruled by President Park Chung Hee, who, while largely responsible for bringing about an economic "miracle," became increasingly reclusive and authoritarian in his final years. Frustrations were beginning to break out over his continued stay in office, evidenced ultimately by the fact that his own intelligence chief shot him to death in October, 1979.

The problem then was one of succession, for the ill-fated Park *had not groomed anyone to fill* his shoes. The events which followed perhaps proved how serious a problem it was.

In the succeeding months there was a disorganised and noisy attempt to "democratise" the system into one more in line with the remarkable advances that South Korea's economy and society had made during those years after Park took over. In 1962, the country was barely emerging from a feudal agrarian past. Park left it a more pluralistic, urban and increasingly prosperous nation, whose per capita income had jumped to $1,500 from only $83 in 1962.

No one, including the opposition leaders of the day, seemed to have a clear idea of how such a democracy would work, given the key role of the armed forces.

The military authorities, then *dominated by the youngish* General Chun, who rose to *power in a December putsch* against a group of older *generals, ever mindful of* the "threat" from the north, watched *with increasing alarm* as a growing rash of worker *riots and student demonstrations* in the spring of last year left the *caretaker civilian* Government floundering.

Martial Law

This situation led to the in*famous May 17 Declaration of* Martial Law. What followed *was armed rebellion in one* province in the south, a bloody "*mopping up*" *by the army* and the clear emergence of *Chun Doo Hwan as South* Korea's new strongman.

Chun, and his tight group of Blue House advisors, clearly do *have an idea of what* "democracy" for South Korea should be. Those ideas are now fixed in the constitution of the "Fifth Republic," under which Chun heralded in his brave "new era." With token opposition, Chun was elected President in February and inaugurated in March. The election of a "rubber stamp" new national assembly followed.

The most significant departure from the old "Yushin" constitution of President Park's era, is a provision that the President is limited to one seven-year term in office (against unlimited six-year stints). Chun has promised repeatedly to bring about an "orderly transition" of power at the end of his term. This would be in 1988, when Chun, at 57, will still be young by national leadership standards.

"It is not particularly fruitful at this stage to speculate about whether Chun can pull off South Korea's first "orderly" change of governments. It is sufficient to say that the prerequisites of leadership are unlikely to change very quickly.

It is essential in any country *with 600,000 men under arms,* that the civilian government *have the support of the military* command. This makes it highly *likely that any successor would* either be from the military *authority, or a civilian politi*cian clever enough to control *the armed forces.*

The only example of the latter was the famous patriot, Syngman Rhee, who lost control of the Government in 1960, amid widespread social unrest.

The next question, and one *that will probably not be* answered until the next round of *Assembly* elections in four years, is whether President *Chun will allow an opening up* of political activity which would *allow for responsible politicians* to emerge. Having eliminated all the *old style politicians* of any prominence (most of *whom would, in any case, be un*acceptable to the conservative *military* brass), Chun may find it difficult to encourage anyone to stick their neck out far enough to be noticed as a future leader, and be acceptable to voters.

The politicians elected to the National Assembly in March, most of them novices will have to be very clever indeed to make any points under the system that Chun has devised. All the trappings of "democracy" are in place, including ruling and opposition parties, standing committees (except for the budget), and a monstrosity of an Assembly building, built on an island in the middle of Seoul's Han River. But the functions were sharply curtailed by laws passed by a special ad hoc "legislative assembly" formed during Chun's martial law days.

The opposition parties are champing to amend some of these laws, particularly those which ban certain politicians, intimidate the Press, and limit the ability of the legislature to debate issues. The government has already said, in no uncertain terms, that amending laws passed by the defunct Legislative Assembly is not the task at hand.

Warning

If having at least the forms *of democracy is an encouraging* sign to outsiders, any attempt to use *them could* be embarrassing. As one observer *warns, the politicians agreed to* play politics by Chun's rules, *now they are beating their* heads against the wall if they *don't abide by them.*

The other two "variables" facing Chun are diplomatic relations and the economy. A third invariable factor is defence, on which South Korea spends about 6 per cent of its GNP, a strong defence, however, is heavily dependent on the first two.

The President can be given high marks for the manner in which he has handled foreign affairs, so far. Chun's problems were eased considerably simply by the U.S. election defeat of Jimmy Carter last year, under whom relations with Korea turned frigid. But Chun and his advisors also had the good sense to clear the way for a return to "normal" ties with its biggest supporter (and with Japan) by commuting the death sentence of opposition leader Kim Dae Jung, whose trumped up trial for sedition had created a stir outside South Korea.

Under President Reagan's Administration the troublesome issue of human rights has gone "underground," and the snags in providing more military support have been eliminated.

Chun's greatest "coup" was in arranging to be the first prominent head of government to visit President Reagan after his Washington inauguration in January. This was not needed to boost Chun's chances in his own election in February, but it was probably a decisive factor in reassuring support of the military (which remains the only force capable, as he well knows, of opposing him). Chun delivered the goods, including reconfirmation of U.S. troop commitments and a grab bag of important weapons systems, like a fleet of F-16 jet fighters which South Korea will pay $900m for over the next few years.

Chun's other display of diplomatic skill has been to take the initiative in the stalled issue of re-unification talks with North Korea. There has been no progress but Chun's call at the new year for a personal meeting with the leader of the North, Kim Il Sung, either in the South or the North, was considered adroit. It also reflects deep concern in the South over making progress before the ageing Kim Il Sung is replaced by his son, about whom little is known.

To most observers these developments indicate that the Government has achieved a measure of "internal balance," and that Chun is relying on sound advice before taking important decisions.

He will need a great deal of good advice (and a fair amount of luck) to achieve the goal of *stable economic growth. He is* gambling that workers will accept a long stretch of declining living standards (i.e., wages not keeping up with inflation), as part of price for achieving a balanced economy, a "transition" period which will last into the mid-1980s.

He must also overcome a crisis of business confidence, still badly shaken by excesses of attempted reforms and re-organisations in Chun's early days, when he "ordered" companies around like the General he was.

His relations with business have been severely strained, and were not helped when one of the top business figures was temporarily imprisoned earlier this year.

In order to make his "New Era" work, Chun will need co-operation from a broad range of people. The military authorities can keep him in power, but cannot order economic troubles to go away. And he is unlikely to have an instant economic "miracle" to offer people in return for support, the one thing he can perhaps offer, however, is a chance for South Korean *"democracy" to finally mature.*

SOUTH KOREA II

New cabinet members take oaths of office before President Chun Doo Hwan at the Blue House

Ex-General sets up all the trappings of 'democracy'

POLITICAL SCENE

RICHARD HANSON

ONE OF the "coffee shop" political jokes heard in Seoul these days goes as follows:—

Question: "Why does President Chun Doo Hwan (the ex-General who seized power last year) and his rather attractive wife both have large black and blue marks on their arms?"

Answer: "Each morning when they wake up in the Blue House, the President and the First Lady pinch each other to make sure they aren't still dreaming."

The two interpretations are that either (1), Mr. and Mrs. Chun still are "golly, gee" surprised that they've really become the First Family of South Korea; or, (2) relieved that no one has pushed them out of the official residence.

South Korea's politics have settled into just that kind dual reality.

On the one hand, President Chun appears to be working hard at being a model leader, including a pledge that seven years from now he will become ex-President Chun as provided for in the one-term Constitution he nursed into being.

On the other hand, Chun's own "undemocratic" rise to power, and the restrictive environment in which he continues to govern make it difficult, at this point, to imagine how or when a likely crop of "peaceful" successors will emerge.

The events of 1980, which led to the take-over by Chun Doo Hwan of the Government, do indeed carry an air of distant "unreality" these days. In May, 1980, politics ground to a halt (as did most normal activity) when massive street demonstrations in Seoul led to a military crackdown, with a declaration of nationwide Martial Law.

General Chun, the man in charge behind the scenes, ordered a round-up of dissidents and politicians (including the opposition and ruling party leaders), justifying the move by citing the ubiquitous northern threat. These moves sparked a major civil insurrection in one southern city, Kwangju.

Bitterness

A bloody "mopping up" of the Kwangju "incident," as it is called, followed, leaving in its wake enormous scars and bitterness. Even some residents of Seoul, who traditionally are not overfond of the citizens of Kwangju, to this day resent the Army's rash over-reactions, and the total news blackout imposed within the country at the time.

Before the dust had settled on Kwangju, Chun was already moving rapidly to establish a "parallel" Government, made up mostly of military men and a few hand-picked bureaucrats, which, under his direction, wielded martial law power until the end of August, when Chun himself moved "legally" into the Presidency.

The takeover of power has been described, by some, as perhaps the "slowest military coup" in memory.

General Chun's role, as it were, goes back to December 12, 1979, when he led a "putsch" against a group of older generals who apparently favoured a rapid change to "democracy" following President Park Chung Hee's assassination in October that year.

Chun's motivations appear more complicated than a simple power grab, however. As a long-time admirer and associate of the late President, Chun is believed to have deeply resented those who sought quickly to blacken the name of Park, and his considerable accomplishments.

At some point however, Chun himself seems to have concluded that the late president had indeed erred disastrously in the last years of his 17-year rule.

Park had become increasingly isolated, ruling with an oppressive authoritarian style, clinging to power while sentiment outside the Blue House built up so it was time for a change — this pressure culminated with assassination at the hands of his own Intelligence Chief.

Chun made use of Park's "Yushin" constitution in legitimising his taking over as President, with its indirect "rubber stamp" electoral system. Since assuming the office, though, he has sought to put a great deal of distance between himself and the "abuses" of the past.

The key pledges Chun has made are to clean up Government, and to provide for an orderly transition of power when he finishes in office.

To this effect, he included a limit on the presidential term, enshrined in the constitution of the "Fifth Republic," of one seven-year stretch.

New era

When Chun first came to public view he was a virtually unknown commodity. His career as a "soldier," as it turns out, had provided him with considerable training as an administrator, having spent much of his time in sensitive intelligence or personnel positions in the army. But little was known about this "young" (49 when he became President) new strongman, outside of the highly secretive world of the military hierarchy.

Tied to a rope, arrested students are led away by South Korean soldiers, following a raid by the army in the riot-torn city of Kwangju. Troops later regained complete control in the area

The need to move around and be seen seems to explain much of the earlier behaviour. The best way to become known is to do things. At times, last summer the actions seemed hastily planned (as they were) and unworkable (as many turned out). They did, however, give the definite impression that Chun was in charge.

As new regimes tend to do, President Chun declared a "New Era" for the country. This catch phrase covers the vast number of reforms which he has ordered in nearly all phases of Korean society, from education to banking, and especially in politics. There is more than a hint of "steel" behind these reforms, witness official purges, arrests and massive roundups of petty criminals, and anyone else thought to be in need of reform. (One estimate is that over 200,000 people were detained, most briefly, during the clean-up campaigns, before martial law was finally lifted.)

However, if Chun has used the "stick," he has also tried to a remarkable degree to sell himself to the people using the tried-and-true methods of all politicians—propaganda.

With the help of an obedient news media, Chun's good side is constantly on display, whether it be "surprise" visits to poor neighbourhoods, or on the grand scale in which his "smiling" trip to Washington in January for talks with President Reagan was portrayed.

It is generally assumed that Chun's ability to govern will remain intact if he satisfies two conditions. The first is restoring economic growth, and avoiding a situation where unemployment and worker discontent rises to the breaking point.

The second is maintaining the confidence of the Army. The latter is considered to be the more serious *potential* threat (especially if economic troubles lead to social unrest), but for the moment it appears that Chun himself is firmly in control, with his supporters strategically placed.

In the Blue House, there are two ex-military men in key advisory positions very close to Chun, including one in charge of his controversial "purification" campaigns. It is also said that he has seen to it that the military has a few more "bennies" thrown its way in the New Era.

Student demonstrations, traditionally a third destabilising influence in South Korea, are being kept strictly under control. Those which do break out on campuses have been dealt with quickly. There is strong resentment of Chun's rise among the "educated" elite. But dissenters are mostly keeping quiet.

The Washington trip in fact proved to be something of a turning point in perceptions of Chun's ability to handle the job. It marked his second major diplomatic "coup," the first being a clever bit of one-upmanship by taking the "peace" offensive by offering to meet with the north.

Moreover, Chun's political stock at home was boosted by Reagan's invitation to become the first allied leader to visit after the inauguration, especially, one presumes, with the military, which received pledges of stepped-up military aid.

Chun's commutation of ex-opposition leader Kim Dae Jung's death sentence (for alleged involvement in the previous May's demonstrations) which paved the way for better relations with both the U.S. and Japan, also indicated a willingness to deal with delicate problems flexibly, a quality sorely lacking in his early days of power.

This may simply reflect a habit, observers say, Chun has developed of "listening" to the professionals these days before acting. Chun is also much better at delegating responsibility than the late President Park, who submerged himself in the minutiae of government.

The last two ingredients in the new political orders are the Press and the "new" breed of politicians elected recently to the National Assembly. The Government's attitude towards the Press was reflected in the fact that large numbers of journalists have been detained in various sweeps since Chun took over, many losing their jobs, and others simply intimidated.

Press purged

A more draconian purge of the news industry followed last autumn. Justifying the reorganisation with some rather cynical claims that there was too much media "competition" for a country the size of South Korea (38m people), the number of daily newspapers in Seoul was reduced, two news agencies merged into one, and all broadcasting (except a religious channel) merged under the Government network.

An earlier weening out had eliminated a large number of other "useless and undesirable" publications.

In addition to having only one new agency filtering news, Seoul newspapers are no longer allowed to have provincial correspondents.

Chun has, however, been careful in all of his activities to justify actions in terms of the established legal framework, even if he has been accused of allegedly "rigging" the system. This accounts for the "painful detail," as one diplomat describes it, with which Chun followed democratic forms in passing and carrying through on the new constitution of the Fifth Republic.

The document itself was drafted by a carefully selected "Legislative Assembly," which also acted furiously to pass as many laws as the Government felt were needed to limit the "democratic" aspects of such constitutional institutions as the National Assembly. The President, with all powers intact, except the right to serve more than one term, was to be elected by an electoral college, popularly elected, from candidates put up by political parties.

Thus, new political parties were allowed to form early this year (the old ones having been abolished) and the presidential elections were held in February. To no one's surprise, Chun Doo Hwan was named First President of the Fifth Republic. His party, known as the Democratic Justice Party (DJP) won a majority of the votes in what appears to have been a mostly honest election.

The "showpiece" of the constitution is a National Assembly, to which elections were held early this spring. Here again, the DJP gathered the majority of the seats, but only after non-elected seats had been allocated, followed by two main opposition parties, the Democratic Korea Party (DNP) (which claims roots with the old main opposition party) and the Korea National Citizens Party, which carries the mantle of successor to President Park's ruling party (mostly because it has more retreads from the past than the others). Seven parties in all are represented in the new Assembly, along with several independent members.

Inexperienced

In addition to serious problems of raising funds, the opposition parties lack what might be called dynamic leadership, for the time being — that is, anyone who appears remotely capable of challenging President Chun. The most serious ambition of the opposition parties appears to be to gain more seats in the next election, four years away.

National Assembly debates promise to be dull, given strict limits on how much time can be devoted to debating issues. The opposition would like to raise some of the laws passed by Chun's Legislative Assembly (including those limiting the Assembly), but the Government has firmly told the legislators that that would not be their job for the moment.

Even if the Assembly is little more than a "rubber stamp" organisation, it is conceivably important that the Government and President Chun are at least sticking to the pretence that it matters. President Park completely shunned the last Assembly, whereas Chun made the opening speech and has promised political leaders a seat at monthly presidential briefings on the economy.

However, very little politicking will be allowed, that being one of the "bad" things from the past.

With practical politics rather limited in scope, for the time being, it seems inevitable that politicians, being what they are, will tend to idle their time wondering about the long-term, and rather narrow, issue of who will succeed President Chun, in seven years' time (when Chun will be 57).

This is a rather unfortunate starting point for the New Era of "democracy," especially since politicians might more usefully be given a greater role in debating and formulating the policies of an increasingly pluralistic and complicated society. The fact that the political system failed to grow in line with the economy and changes in society is perhaps the greatest failure of the long years of Park Chung Hee's rule.

Meanwhile, the sudden outbreak of student demonstrations in Seoul at the end of May, following an alleged suicide of a student from Kwangju, indicates just how close anti-Chun sentiments still run on the campuses.

The best perhaps that can be hoped for during President Chun's term in office (considering the only other likely alternative is reversion to military rule) is that one day Koreans will pinch themselves and find that this time, democracy, Korean-style, is working.

Big efforts to make up lost ground

THE ECONOMY

KEVIN RAFFERTY

THIS IS the year when South Korea will make up the ground lost in 1980 and prepare the foundations for a new sustaining burst of real economic growth. That, at least, is the aim of the Government and the hope of friends of Korea. Most commentators think that the economic indicators this year are encouraging—even if there are clouds of question-marks on the horizon about how long-lasting the new growth will be.

Last year was certainly a disastrous one, in which growth plummeted to −5.7 per cent, the first fall since the late 1950s and a great shock after the annual growth rates of 9 per cent for almost two decades.

Nearly everything went wrong at once. The Government had, in 1979, begun a programme intended to stabilise the economy which had over-heated. But the intended cooling-off period was turned into a long, icy storm.

Inflation

New oil shocks and continuing world recession tightened the screw against Korean exports and fuelled domestic inflation, eventually pushing wholesale prices up by 44 per cent and consumer prices by 35 per cent.

The won fell by 36 per cent against the American dollar which restored some competitive edge to exports, but increased the import bill and sustained the stagflationary spiral. Unemployment rocketed from 3.8 per cent to more than 5 per cent.

To depress matters further, bad weather reduced summer crops by 30 per cent and again added to the import bill. And, in addition to this cumulation of misfortunes, an outbreak of cholera scared away tourists.

The most powerful factor of all was political uncertainty in the wake of President Park Chung Hee's assassination—an event which blew up into demonstrations and bloody riots which were put down equally bloodily.

Apart from the damaging impact of political uncertainty right across the economy, the confused political scene, with South Korean at the throat of South Korean, all helped to sap the confidence of businessmen who had previously swept all before them.

Now the economy is picking up again. Official projections for 1981 are for real growth of between 5 and 6 per cent, which foreign economists also think is reasonable, which would put the country back in the same real position as at the end of 1979. Government officials are more bullish, all of them commenting almost to an echo on the same rosy indicators.

Export growth in the first quarter was slightly higher than expected at nearly 20 per cent, and April figures, showing a 33 per cent rise on a customs clearance basis and 60 per cent on an LC basis, were even better. The chances are that exports will exceed the $21.1bn target for the year.

The price line is also being held with inflation at about 5.5 per cent for the first quarter. Even allowing for rises in domestic prices of petroleum and coal in April, it seems likely that inflation will be maintained in the 20 to 25 per cent range and, with luck, may fall below 20 per cent.

Industrial production rose by nearly 20 per cent in March, compared to the previous month; and although the seasonally adjusted figure was only 1.8 per cent, this was one of the best recent performances. It took the rise for 1981 to 5.1 per cent, with significant increases shown across a broad base, including textiles, electrical machinery, iron and steel, foods, minerals and industrial chemicals. Inventories are in much better shape than last year.

As another good sign, the Korean stock market has also perked up. Volume in April jumped from five million to 38 million shares a day. Brokers said this was because there are few other investments (with bond and bank yields below inflation rates) and in expectation of another Government stimulus in the summer.

Officials in the Statistics Department say that their sensitive index of leading indicators, which has in the past been highly reliable though with a lag of a few months, began to turn upwards in the middle of last year, suggesting that the revival is now getting under way.

There are still some immediate problem areas which lead non-government commentators to a more cautious view.

Capacity utilisation rates are still low in some industries and there is a danger that if confidence does not improve even the boomlet could peter out; this is because the Government has brought forward some of its spending plans especially on construction to the first half of the year in the hope of setting the pace.

Consolidation

Immediate worries about political stability seem to be fading. Presiden Chun, though he does not seem to be liked or admired, has worked hard to consolidate his position.

There are some other gaps. The growth rate still depends on a normal crop being raised this year—indeed, a normal crop alone could add between 2 and 3 per cent to Gross National Product. Improved performance is posited on moderate OPEC price increases—if oil prices rise by more than 20 per cent then energy scarce South Korea will be in trouble.

Imports of oil and foodgrains together will cost $8.6bn this year. It is expected that the Won will be allowed to depreciate against the dollar by about 5 per cent—on the performance so far the depreciation will be about 8 per cent which is still manageable.

Economists also say that it is crucial to keep wage increases within limits—and though officials put on a smiling face, the settlements this year have taken a longer time to hammer out.

On the external front South Korea will once again run substantial trade and current account deficits but the common view is that these are manageable. According to the Bank of Korea's revised figures, the trade deficit will be $4.2bn and the current account, despite still strong earnings from the Middle East construction projects, will be in the red by $5.3bn.

Some foreign economists think that the payments deficit may rise to $6bn, but even this figure would not present too many problems.

Altogether, Korea will need capital inflows of up to $8bn this year, but most economists both inside and outside the Government believe that this will be achieved. Negotiations are going on with the IMF for a credit of special drawing rights $576m and, in its commercial borrowings, Korea's credit rating has steadily improved.

Mr. Kim Kun, Deputy Governor of the Bank of Korea, said that Korea's ratio of debt repayments to earnings was about 13 per cent, not high enough to be alarmed about.

"We have to borrow to increase our exports," he said. "Of course, we try to keep borrowings as low as possible but for a traditionally capital scarce country we have to borrow to maintain and increase economic growth."

Despite the optimism, there are still plenty of question marks on the horizon. An important one concerns the nexus of economic and political decision-making.

So far, the retired generals surrounding President Chun in the Blue House have been prepared to leave economic matters largely to the civilians, provided that their direct interests are not trodden on.

The economic team, including Kim Jae Ik, advising from the Blue House close to the President, the Prime Minister, Nam Duck Woo, and the Deputy Prime Minister and Economic Planning Minister, Shin Byong Hyun, is well-regarded.

Even so, large gaps have appeared between the promises of the policy and their niggardly implementation. One economist characterised this by saying that the economic planners wanted to liberalise and open up the economy, while the bureaucrats in the Finance Ministry were "a bunch of lawyers anxious to hold on to the restrictions."

Foreigners, in particular, grumble that it takes a much longer time to obtain a decision from the bureaucracy than it did in the confident days of President Park.

Dr. Kim Key Wan, adviser to the Planning Minister, denied that there were any large differences of outlook, but conceded that it would take time for the policy intentions to filter smoothly down through the official machine shaken by the political changes.

"All bureaucrats' instincts are to survive," he said, "and this means you must always err on the conservative side and search for the precedents of any decision, rather than try to set them."

But even if the economic decision-taking and decision-making machinery is satisfactorily oiled, there will still be questions about the overall long-term planning ability of the economic team. There have already been false starts, notably over plans to combine Korea's two motor vehicle makers together.

This decision emerged without proper consultations of the two parties, let alone of General Motors the foreign collaborator of one of them. The idea was abandoned.

One of his economist friends said of Kim Jae Ik: "When he is planning reforms, he often misses the obstacles in the way. What he talks about is what he hopes to happen and not what is happening."

Competition

Another vulnerable point of the Korean economy is its dependence on exports which is expected to grow rather than diminish. By the mid-1980s, exports are projected to be 37 per cent of GNP, compared to about 30 per cent today.

Yet Korea is facing stiff competition from other newly-industrialising countries, as well as restrictions on its products. It has tried hard to find new markets. The Middle East has been a fruitful area, both for construction projects and for exports, and today takes almost 15 per cent of Korean exports.

Studies of international trade suggest, however, that other developing countries and, indeed, the Communist Bloc will offer only limited opportunities because of the competition with each other. The biggest export markets are still those of the industrialised countries.

Allied to this is a question of whether Korea is international enough in outlook or flexible enough to seize new markets. Even though it runs a trade deficit, Korea has been unfortunate enough to attract quotas and other restrictions on a number of its key exports, including textiles, television sets and shoes.

Such restrictions add to the steepness of the uphill struggle to keep costs low enough and quality high enough to withstand competition and keep increasing the value-added. Exporters from other developing countries in the same region say that Korea lags behind in terms of quality of products particularly textiles, and its rocketing inflation last year increased costs dangerously high.

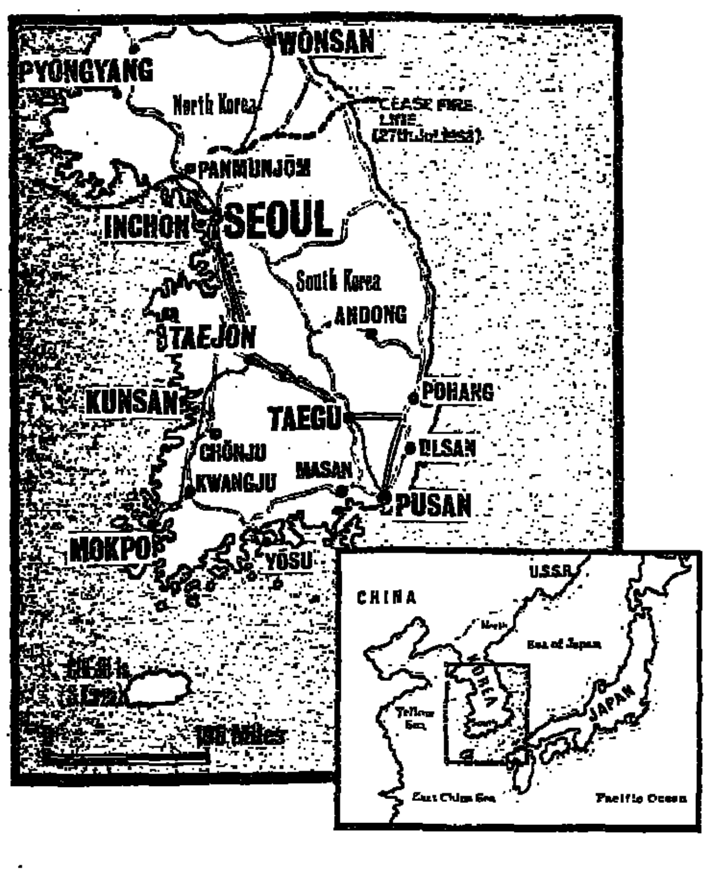
Overshadowing all this are the delicate questions of the political economy and whether a sophisticated modern country drawing on the free market can be ruled autocratically and still flourish.

The strong Confucian tradition in Korea means that the ruler is treated with more deference than a ruler in the West. But in his later years President Park was assailed both by political protest and the economic consequences of decisions taken from on high, without sufficient involvement of the private entrepreneurs and their view of the market. President Chun's advisers seem to have persuaded him of the need to consult more widely. He has also taken some steps to open up the economy.

However, for all this, the new ruler keeps a tight grip on the centres of debate and discussion and is respected, if not feared, rather than loved.

Koreans themselves are confident that they will win through, inspired by confidence, allied to the ability of a homogeneous society to work in close harmony, gives Korea a big advantage.

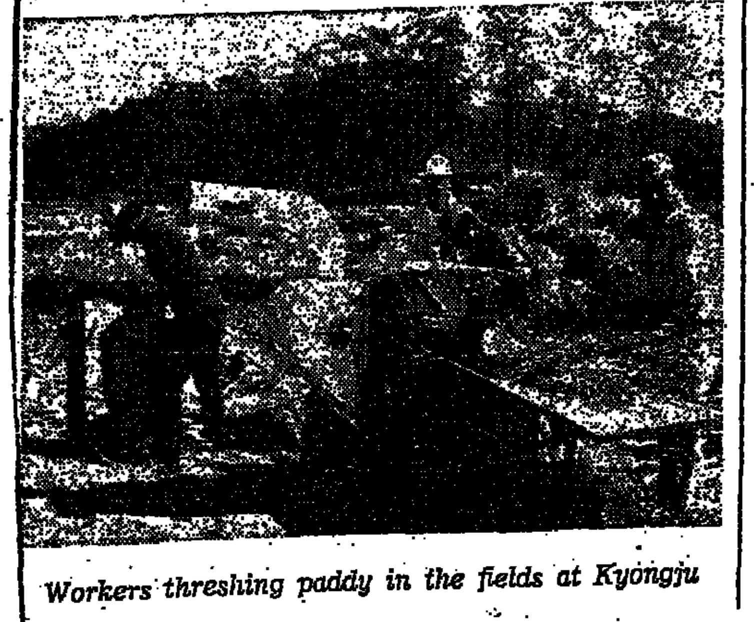
"People say that we are foolish to go into the manufacturing of power-generation equipment," said a director of one of the Hyundai group of companies. "But we have proved the rest of the world wrong before. Watch and see."



BASIC STATISTICS

Area:	99,913 sq. km. (38,576 sq. ml.)
Land use:	Arable, 23 per cent; forest, 67 per cent, urban and other, 10 per cent.
Population:	38.8m (est.)
Currency:	Won; U.S.$=677 Won; £=1.415
GNP, 1980:	35,031bn Won ($57.7bn); (up 20.5 per cent on 1979).
Per capita:	931,700 Won ($1,532)
Real change in GDP (80/79):	−5.7 per cent.
Inflation:	18.8 per cent, 1979: 28.7 per cent, 1980
Foreign exchange reserves:	$2.743bn
Trade (1980)	
Exports:	10,636.6bn Won; up 46 per cent on 1979.
Imports:	13,548.3bn Won; up 38 per cent on 1979.
Exports to UK:	£244.58m
Imports from UK:	£101.1m

Sources: IFS, UK Overseas Trade Statistics, Dec., 1980; the CIA World Factbook, 1981; and the Far East Economic Review.



Workers threshing paddy in the fields at Kyongju

KEY ECONOMIC INDICATORS

Values in millions of U.S. dollars, and representing period averages, unless otherwise indicated.

Exchange rate: U.S.$1=653.8 Won.	1979	Prel. 1980	Est. 1981	Per cent change 1979	1980	1981
INCOME, PRODUCTION, EMPLOYMENT						
GNP at current prices	60,066	57,616	65,287	26.9	−4.1	13.3
GNP at constant (1975) prices	30,494	28,763	30,316	6.4	−5.7	5.4
Per capita GNP, current prices	1,597	1,508	1,682	24.9	−5.6	11.5
Plant and equipment investment, current prices	8,157	6,149	6,647	28.1	−24.6	8.1
Personal income, current prices	46,194	44,127	49,684	26.3	−4.5	12.6
Indices: (1975=100)						
Industrial production	213.5	211.4	222.0	11.7	−1.0	5.0
Average labour productivity	151.5	165.1	173.4	15.5	9.0	5.0
Average industrial wage	305.5	384.9	473.4	28.5	26.0	23.0
Labour force (thousands)	14,206	14,514	14,955	2.0	2.2	3.0
Average unemployment rate (%)	3.8	5.0	4.9	—	—	—
Total population (thousands)	37,605	38,197	38,806	1.6	1.6	1.6
Balance of payments and trade						
Gold and foreign exchange reserves†	5,708	6,400	7,000	15.6	12.1	9.4
External debt†‡	13,870	16,530	21,730	26.0	19.2	31.5
Annual debt service‡	2,656	3,080	4,020	25.8	16.0	30.5
Annual debt service ratio (%)‡	*13.6*	*13.5*	*15.0*	—	—	—
Balance of payments§	−1,488	−3,300	−2,500	—	—	—
Balance of trade (fob)	−4,396	−4,500	−5,500	—	—	—
Exports, fob¶	15,056	17,505	20,500	18.4	16.3	17.1
Imports, cif¶	20,339	22,100	27,300	35.8	8.7	23.5
Average exchange rate (Won/U.S.$)	484	608	675	0	25.6	11.0

Because of devaluation, U.S. dollar prices for 1980-81 rates of change will be distorted from previous year. † Data for end of period. ‡ Embassy estimates; includes payments on all debt (of one year and more maturity) as % of total exports of goods and services. § Basic balance. ¶ Customs clearance basis. Sources: Bank of Korea, Economic Planning Board, and Ministry of Finance.

Overseas buyers are flocking back to Seoul

TRADE

RICHARD HANSON

JUDGING FROM the recovery of hotel bookings in Seoul, and the early export results, foreign buyers are once again flocking to South Korea. The return to political stability seems to have released a great deal of demand bottled up during months of unrest last year. South Korean goods are also relatively cheap again.

But setting the stage for recovery, cost South Korea a 36 per cent devaluation of its currency, the won, last year, and a milder drift downward is expected this year.

To avoid a repeat of the "economic" conditions which forced drastic actions last year, the Government is hoping to improve productivity. Workers are being "asked" to accept a long stretch of low wage rises (and thus declining living standards), and companies have been encouraged to improve efficiency and quality.

In addition to the sweeping "structural" reforms in domestic industries (which are discussed elsewhere in this survey), the country is counting on a massive new wave of incoming foreign investment to keep its export base solid through the 1980s.

Two years ago South Korea's exports reached what appeared to be a watershed. After years of achieving real increases in exports (averaging over 30 per cent a year from 1962-1978), South Korea's exports were being priced out of the competition with other newly industrialising countries, such as Taiwan and Singapore where inflation and wages were kept under control. Korea's wage/inflation from 1977 onwards was clearly "out of control," according to a senior Government official.

In 1979, export volume dipped for the first time, and the value of shipments fell short of the Government target. In 1980, exports, helped by the devaluation rose 17 per cent to $17.212bn. This was higher than the 15.7 per cent pace of the prior year but well below the 1977-78 average of 27.6 per cent.

Wage problems

A number of external factors combined to cause the slowdown in growth, including a drop in economic growth in the major markets of the developed world, oil crises and the bite of protectionist measures in the West and in Japan. But the root causes of South Korea's dilemma were home grown and centred on the wage problem in an overheated economy.

A comparison made by the Economic Planning Board of South Korea's performance compared with Taiwan and Japan tells the story. Using a *unit labour cost index of 100* based on 1975, South Korea had jumped to 197 by mid-1979, while Taiwan and Japan had improved their standing to 94 and 99 respectively.

The Government's policy meanwhile of avoiding a devaluation to restore competitiveness in exports in force from 1975 to January 1980, meant that by 1979 South Korean exports were nearly 20 per cent less competitive in world markets than they had been in 1976.

The decision to devalue taken in January, 1980, no doubt contributed heavily to the recession last year by making imported oil even more expensive. The oil bill soared 81.5 per cent. But the Government calculates that a 36 per cent depreciation by the end of the year restored exports to the same level of international competitiveness held in 1976. Indeed, the pay-off from the devaluation became noticeable in the last quarter of 1980 with a jump in the value of export letters of credit.

According to a Government scenario, export shipments will accelerate to a high pace by mid-year.

To the relief of those who drew up the scenario, the numbers for exports are turning out even better than expected so far. Export letters of credit (L/Cs) in the fourth quarter last year and first quarter were up 34 per cent over the comparable year-earlier period, growth accelerated further in April when L/Cs jumped more than 60 per cent.

As a *leading* indicator, the figures bode well for customs clearance shipments which, in the first four months this year averaged an annual rise of 22 per cent. The official forecast is 18 per cent growth for all 1981 (to $20.5bn). But, barring any sudden changes in the international situation, South Korea should exceed its goals.

Officials are tentatively revising downward estimates for the 1981 trade deficit to $4.5bn, or about $1bn less than last year's deficit.

Encouragement

The export recovery is the most encouraging sign so far that the recession of 1980 (with its 5.7 per cent drop in real GNP) has been left behind. But it is also a reminder that South Korea, remains more dependent on exports for economic growth than perhaps any other developing industrial country with an economy of comparable size.

Under this year's projections, exports ($20.5bn) will account for about 31 per cent of GNP. This is somewhat below the 35 per cent average for most of the '60s and '70s, but the new Five-Year-Plan expects that exports will climb to a 37 per cent share of GNP by 1986, or a formidable $52.7bn, a 20 per cent annual rate of increase.

Remaining competitive enough to achieve these goals will not be an easy task. South Korea still has a considerable way to go before its workforce prices itself out of the competition, but workers will have to shoulder much of the burden of keeping costs down for the next few years.

In order to keep the Won within a 10 per cent targeted devaluation this year, wage rises must be kept at around 15 per cent, well below the projected 25 per cent rate of inflation.

Even with less pressure from wages, *business will have to* make considerable efforts to improve efficiency and quality control, long a major weakness. In textiles, for example, traditionally the major single export item, it is believed that more than 30 per cent of the equipment in place is uneconomic, yet the industry is expected to increase exports from $5.7bn this year to $11.1bn in 1986.

In the 1970s it was expected that textiles would fade in overall importance as new "heavy" industries came on stream. Problems in the latter area, mean that textiles will remain the top export item into the mid-1980s.

The Ministry of Commerce believes that in the short-term a lot more "value added" and productivity can be squeezed out of the existing export industries, by improving quality control and producing more sophisticated products. (One simple example in textiles is a move into built up men's suits.) The Government claims there are some 80,000 quality control teams now spread around the private sector.

Beyond encouraging a greater degree of quality consciousness South Korea's only option for a serious upgrading of technology in its export industries is to induce vast amounts of new "foreign" technology and investment. This is true in everything from textiles to the stalled motor industry.

The absence of a serious home grown R and D effort (South Korea spends the equivalent of 0.7 per cent of GNP of research) could indeed become a serious long-term problem if foreign sources of technology dry up. Even in textiles plans for a research institute are still on the drawing board.

The Government's plan to attract the needed foreign investment is far from a sure thing. The Economic Planning Board is planning over the next five years to approve about $2.5bn in new investment into the country — more than twice the cumulative $1.1bn in foreign investment arriving from 1962-1980.

New rules

In order to do this, the Government is drawing up a new set of "liberal" rules on foreign investment, making it easier for foreigners to set up 100 per cent owned businesses. Certain heretofore "closed" industries, will be opened including food industries, pharmaceuticals, distribution and services (South Korea may finally receive its own McDonalds hamburger chain. An earlier plan fell through when a proposed South Korean partner went out of business).

The Government claims to have "several major" foreign investments already in the pipe this year. But it also seems that the record of treatment by the country's rigid bureaucracy of foreign investors could serve as a deterring factor. According to U.S. businessmen, *this has* happened recently in at least two cases where companies decided to invest elsewhere.

The most irritating case cited by foreigners is Gulf Oil's decision last year to pull out of a long established joint venture, withdrawing its capital. The government's "arbitrary" rulings of how to tax Gulf have caused a major row, which could end up in the world court for arbitration. Foreigners are also very concerned over the protection afforded exclusive technology and patents under South Korean laws.

South Korea expects to approve about $200bn in new investment this year, up from $141bn in 1980. The meaning of these figures is obscured, however, by the fact that a considerable portion of this money (the majority so far this year, in fact) is going into the operating capital of companies already invested in the country which are losing money because of poor business.

One remaining potential obstacle to South Korea's export plans is protectionism. The colour television industry nearly collapsed after the U.S. imposed quotas on imports for lack of a domestic market. One Korean electronics company, Gold Star, has decided recently, like most Japanese makers, to invest in the U.S.

But protectionism appears to be less of a worry to the Government than might be expected. This is partly because the country has in fact substantially diversified its markets over the past few years from an overwhelming dependence on the U.S. and Japan (43.7 per cent in 1980, compared with a combined 65 per cent in 1974).

The Government has also carried on voluntarily with an enlightened plan to liberalise imports into the country, and is taking care to encourage "*buy foreign*" *missions* to Europe and elsewhere.

Good growth potential and low risks attract more lenders

INTERNATIONAL FINANCE

ANN CHARTERS

SOUTH KOREA faces the pleasant prospect of approaching international capital markets this year to fund its balance of payments deficit with its political and social scene under control.

Last year's political disorder capped by a civil rebellion in May in a South-Western province caused the government to move to short term borrowings for most of the year to raise the required foreign funds rather than approach international markets for long-term credits from a weakened position.

Although some of the causes for the eruption of that political and social unrest are still present, specifically high unemployment, high inflation, and a prolonged recession there is no longer a vacuum on the political side.

Elected under a new constitution early this year, President Chun started a single seven year term as President in March.

No less significant for international credit markets is the fact that Korea now has a set political course and that President Chun has left the economy to the technocrats.

The economic team he put together last August has remained intact. Observers think that the President, a former general, realises that *Korea's economic difficulties are* not easily reversed and have to be attacked with consistency and experience.

With South Korea's foreign borrowing requirement projected at $7.7bn this year, the political and economic managers have to be sensitive to Korea's image abroad. The $7.7bn includes a projected $5.5bn deficit in the current account and $1.3bn for principal payment amortisation. The remaining $900m is to fund capital goods exports on a credit basis through Korea's Exim Bank *and to increase foreign* exchange reserves. The export-import bank has been supplying financing at attractive rates to foreign purchasers of Korean-built ships.

Korea stands an excellent change of financing a larger proportion of its debt in long-term borrowings at good rates this year. International lenders have lined up to increase their exposure since Korea offers an attractive mix of growth potential at relatively low risk, compared with other developing countries.

Credit rating

Despite a hefty $27.2bn in total foreign debt outstanding, Korea's credit rating remains good. The 1981 debt service ratio of 13.2 per cent is below the international average of 15 per cent and far below that of other developing countries such as Brazil, Argentina, the Philippines and Indonesia, according to Ministry of Finance officials.

Korea's international debt burden has been kept within reasonable limits according to *Government officials* because exports continued to increase even during the last two difficult years.

After the second oil shock when the country's current account deficit quadrupled in 1979 to $4.1bn, the debt service ratio was held to 13.5 per cent. Because of the staggering oil bill for a country that relies totally on imported supplies, the Government could not improve its debt structure, but still managed to hold the debt service ratio below 15 per cent. The country's recovery from the *first oil shock, uncomplicated* by a world recession and domestic difficulties, was much faster. Korea actually ran a surplus in the current account in 1977, and managed a debt service ratio of 12 per cent.

Last year's deficit in the current account of $5.7bn was up $200m over earlier projections due to high international interest rates in the fourth quarter of last year.

A little more than half of the foreign debt is contracted at floating rates of interest, according to ministry of finance officials, making Korea, like other developing countries, very susceptible to swings in interest rates.

Now a glut in oil supplies has worked to calm price increases, Government officials can worry about how painful interest payments may become. Although the foreign debt profile is smooth with no bunching in future years that could tax Korea's ability to meet principal and interest payments. The Government is moving to contract borrowing long term, rather than having to rely on short term borrowings as it did last year. This will add more stability to the debt profile, finance officials contend.

Short-term borrowings with maturities under three years will be limited to an increase of $1.7bn this year according to expected trade volume. Government officials claim these funds are raised almost automatically through the banking sector.

As imported goods increase, private credit sources spring up. Oil imports and other raw materials imports are carried on a trade credit basis or financed, especially *in the New* York bankers acceptance market for two to three months.

Half of the remaining $6bn in external borrowing required has been lined up since March this year according to ministry of finance officials. Of the total, $3.5bn will come in as loans for specific projects, with more than two-thirds coming from official sources. Most are suppliers' credit arrangements linked to capital intensive projects already underway such as Korea's nuclear power plant construction. A $1.24bn loan agreement has just been signed with a *consortium of French* banks to finance nuclear reactor construction for two power plants.

Direct foreign investment has been conservatively anticipated at $200m, according to historical trends, Government officials contend.

Even so, the case may be overstated since as of April, only a few major foreign investments have been discussed. Two major potential investors looked at Korea, but opted to invest elsewhere.

The only area government officials are concerned about is the $1.5bn in bank borrowings to be raised in the very expensive Eurocredit market. The first foray into the market this year was the successful Korea Ex-IM bank 401m syndication and note purchase. The funds for the $200m tranche were raised at ⅝ over Libor for eight years. The note purchase tranche of $201m carried a lower rate of ⅜ over Libor, because the Ex-IM bank sold loans already guaranteed by prime foreign banks in Korea.

The finer spread, lower than the ⅞ for $600m dollars for eight years that the Korea Development Bank had to pay at the end of last year, demonstrates that Korea's credit standing has improved, although liquidity in the world financial markets also contributed to the lower rates.

Korea will tap the market for two more jumbo loans this year, the Korea Exchange Bank plans to raise $500m in May and the Korea Development Bank will try for a $500m loan as well in the latter half of the year. Of the $600m syndication that the KDB raised last year, $200m remains to be drawn down according to government officials. The expected demand from the private sector for loans to invest in new equipment did not materialise, due to the lingering recession.

Smaller syndicated loans of $50m will be attempted by one or two of the Korean commercial banks to raise foreign exchange if required in the third quarter, to complete the $1.5bn in bank borrowings. The Korea Exchange Bank and the Korea Development Bank will put floating rate issues on the market as well as bonds from the KDB and other public entities at commercial rates.

Prospects

Korea's trade deficit will expand in 1981 to $5.5bn, with exports conservatively projected to reach $20.5bn, a 19 per cent rise over 1980, with imports up to $26bn. Crude oil will continue to be the culprit responsible for most of the deteriorating trade balance. Korea's rice imports are also substantially due to 1980s disastrous crop. Last year's visible trade deficit reached $4.7bn with an 81.5 per cent increase in the oil bill being the major factor for the worsening trade balance.

Exports, at April, were up 24 per cent over last year and imports increased 16 per cent for the same period, although imports are running at $7.6bn compared to exports of $5.4bn.

The World Bank and the IMF *continue to support Korea's* efforts to improve its balance of payments position.

The IMF $800m facility committed last year for 1981 has practically all been used. The World Bank has granted Korea $600m from 1981-1983 in three separate structural adjustment loans of $200m each.

Advantages seen in closer contacts with Third World countries

SOUTH KOREA, one of the West's staunchest supporters among developing countries, is closely tied to the United States and Japan, although relations have not always been smooth.

Since the Korean war, the country has been nurtured economically by both the Japanese and the Americans and has relied heavily on the U.S. military presence to stave off any North Korean attempt to reunify the peninsula. Isolated geopolitically in north-east Asia, close to China and Russia, South Korea has had to keep on good terms with Japan and the United States, although that has proved difficult at times.

Precisely because ties have been so close with these two countries, Korea has had to insist — that controversial political and social events are subjects for only domestic concern in order to run its own affairs.

The political instability that resulted after former President Park's assassination in October, 1979, and the civil rebellion in a provincial capital which provoked a tighter clampdown of martial law last year, tested Korea's relationship with its friends. The arrest and conviction of Kim Dae-Jung, a former presidential candidate, on charges of sedition, became an international cause that was only *defused when President Chun* Doo-Hwan commuted Kim's death sentence to life imprisonment, early this year. The subsequent U.S.-Korea summit meeting in Washington between President Reagan and President Chun gave a major boost to Korean morale and set the stage for a security meeting later at which the U.S. renewed its defence commitment to South Korea.

Relations with the Japanese, however, have not been quite so smooth, lately. It has been 36 years now since Korea was liberated from over three decades of Japanese colonial rule at the end of World War Two. But there is still strong resentment against Japan.

Attitudes

In several major speeches, including his inaugural address, President Chun has chosen to remind Koreans of their former status. Koreans appear to think that the Japanese still maintain too much of an air of superiority in treatment of issues affecting both countries.

One of the issues in contention is the heavy burden that Korea carries in defence spending to maintain stability in the region. Expenditures have been running at 6 per cent of the GNP, over one-third of the country's national budget, a sizeable expenditure for a developing country.

From the Korean viewpoint, Japan has spent little to preserve peace in the region, devoting its resources instead to building its own economy under cover of the U.S.-Korean security umbrella, and continuing a large trade imbalance with its neighbour as well.

Last year's trade deficit with Japan was $2.8bn. The accumulated trade imbalance since Korea and Japan normalised their relations in 1965 amounts to $18bn. Korea would like to see a more free access to Japanese markets and a chance to raise exports above last year's $3bn as recognition of Korea's frontline security stance in the region. Japan is Korea's largest foreign investor, having put $620m in the country over the years, even though last year's equity investment of $24.6m was less than half of the 1979 level.

Economic co-operation will be high on the list of topics if a summit between Japan's Prime Minister, Zenko Suzuki and President Chun does materialise later this year. Both sides have expressed interest in such a meeting, but no date has been set. Annual foreign minister level talks, suspended since 1978, are scheduled for June and could pave the way for less chilly relations.

Fundamental to any talks will be discussion of how much of a threat North Korea really presents. Recent comments in the U.S. by the Japanese Prime Minister would indicate that the Japanese recognise that North Korea is continuing a military build-up, although Japan also appears to believe that sufficient deterrents to any attack on the South already exist.

North Korea, which has a GNP *one-fourth the size of* South Korea's, has a standing army of 720,000 and twice as many fighters, tanks and airplanes as the South. Government *officials point out that* North Korea's avowed policy of re-unifying the peninsula, by any means, has never changed and that as recently as last year there were five instances of armed North Korean guerrillas caught infiltrating the South.

Invitation

President Chun's dramatic invitation on January 12 to North Korea's Kim Il Sung for an exchange of visits was an attempt to ease tensions and re-open dialogue. Although the invitation has never been formally answered, there is little likelihood that Kim will find reason to accept. With lower-level talks singularly unproductive in the past, the situation between the two Koreas seems unlikely to change in the near future.

Instead, South Korea is actively taking its case to Third World countries that have been courted by North Korea in the past. The Non-Aligned Nations' Conference, last February, did not become a forum for North Korean views, largely due to South Korea's strengthened bilateral relations with 65 member-*countries*.

A Korean expert on African relations notes that developing Third World countries, rid of their colonial status, are more interested in learning about South Korea's economic policies than North Korea's *guerrilla warfare*.

Closer contacts with Third World countries are giving South Korea more markets for their exports, as well as better access to energy *supplies* which South Korea lacks. President Chun's forthcoming State visits in June to all five member-States of ASEAN will mark the *first time that* a Korean President has visited Indonesia, Singapore and Thailand, and the first time in 15 years that Malaysia and the *Philippines have had* a visit from a Korean Head of State.

Libya, Nigeria and the United Arab Emirates have opened diplomatic relations with Korea recently. Although the country's overtures to non-hostile Communist nations have yet to pay off officially, unofficial trade with China has *been brisk, at $300m last year.*

ANN CHARTERS

A dramatic turnround in relations with Washington

RELATIONS WITH THE U.S.

KEVIN RAFFERTY

THERE HAS been no change of policy, but everything has changed between Seoul and Washington, from sour to sweetness and light, with the appearance of Ronald Reagan in the White House. The dramatic turnround just proves how personalities, and the vibrations they set up, can change the whole complex of international *relationships*.

Mr. Reagan has taken three initiatives which have pleased the Koreans immensely, but each was more a matter of form than *of substance, a sign that the* U.S. President can delight his fans, willing him to say the things they longed to hear.

Firstly, Mr. Reagan declared *that he would not withdraw* troops from South Korea—but this was the formal killing of an already dead policy.

Secondly, *human rights have* gone underground—but in his later days, Jimmy Carter, too, recognised that with the hard-line Communists to the north (and not much more than a howitzer's throw from Seoul) *some restrictions are inevitable.*

Thirdly, President Reagan gave the South Korean President Chun Doo Hwan the opportunity of making the first "star" guest appearance at the White House—though only after he had extracted commutation of Kim Dae Jung's death sentence and encouraged the Koreans to adhere at least to the trappings of democratic institutions.

Ex-President Carter had committed the cardinal sin of suggesting that he was going to *withdraw in phases the 39,000* American ground troops stationed in South Korea under the United Nations' banner. Later he pulled back, recognising the damage that such a policy would do.

Anxieties

Yet, in Korean eyes, the damage was done by the suggestion of withdrawal, as it would encourage the Communist North Koreans to hope that the U.S. might abandon South Korea.

It is difficult to estimate the value of the American troops in Korea as, in many ways, they symbolise the American commitment, rather than offer an extra fighting punch, except perhaps in the air.

The Americans of the Second Infantry Division, admittedly a highly mobile division with *concentrated firepower, represent* only 5 per cent of the troops in South Korea. The rest are Koreans who have a good reputation in the eyes of foreign military observers.

A group of British Army officers recently went on a tour of the old Korean war battlefields which gave them a chance of inspecting the present Korean forces. They came away with the distinct impression that whoever tried to break through the 38th Parallel Truce Line would have a real fight on his hands.

South Korea is not the same as South Vietnam, where formations had formidable reputations on paper, but crumbled when in face of fire. Its army is reckoned to be more disciplined and ready to face battle. But, for all that, the American presence is vital, "a warning that if the North Koreans did invade they would have to face and kill Americans first," as one military observer put it. "The Americans present are a psychological tripwire."

Washington is also helping to *upgrade the weapons* and equipment of the Korean armed forces. At talks in San Francisco, in April, the American Defence Secretary, Caspar Weinberger, and the Korean Minister of National Defence, Choo Young Bock, agreed on further arms sales, including 36 F-16 aircraft, at a cost of $900m to replace the longer-*legged, but* older F-4s, the Stinger Air Defence System, a 34 lb anti-aircraft missile, carried by individual soldiers, plus other light weapons. They also agreed to improve early warning capabilities.

Korea has increased its military expenditure in the face of intelligence reports of stronger North Korean forces and it aims to spend 6 per cent of GNP *on* defence. The purchases from America are helped by 12-year credits of $160m this year and $167m next year.

Korean Army boffins are also working to see if they can make a success of the 16-ton Sheridan armoured patrol vehicle which the U.S. Army is discarding as a $1.2bn failure. The Americans found that the tank-like weapon had problems with the turret-and-gun system and that the armour was too light for use in the frontline battlefield.

However, for the Koreans the Sheridan could add vital mobility, as it can be air-dropped and used as a missile launcher. *If the scientists are* successful, Seoul will buy 1,100 of the vehicles at a bargain price.

The American Defence Secretary made it clear that the new Administration preferred to privately discuss delicate subjects (such as human rights) with governments, rather than from the public pulpit.

In economic relations, too, America is a powerful ally—it is Korea's biggest trading partner, and second to Japan in investment.

American equity investment is listed at $252m but total exposure through bank loans and current value could be $10bn.

Economically, the changes in regimes in Seoul and Washington have not produced the smooth, happy assurances as in the political arena. Perhaps this is because there are more businessmen to deal with and they are concerned with hard cash, rather than blandishments of well-being and good vibrations.

Trade is more or less in balance, though with a slight $290m advantage to the U.S.

In 1980, on total trade worth almost $9.5bn, Korean exports to America of around $4.6bn are more than $1.5bn higher than its sales to Japan (which enjoys a huge $2.8bn surplus on its trade with Korea).

The Koreans' quarrel is that 44 per cent of its exports to America are controlled by quotas, including textiles, worth about $1bn; footwear, worth $500,000; television sets and yachts.

The mood in America seems to be for a continuation of quotas, with specific Congressional calls having been made for protection of footwear and textiles.

American businessmen have a much longer list of grievances against the Koreans. One hard-grumbling American commented: *"The Koreans expect* all of their own problems to be sorted out, but don't listen to other people's problems of which they are the cause."

The American Chamber of Commerce in Seoul prepared some background notes for the forthcoming Economic Consultations between the two countries, complaining of the lack of reciprocal treatment, although this is supposed to be guaranteed by law.

The Chamber commented: "The principal issue adversely affecting the *U.S. business* community is lack of National Treatment. Despite the guarantees in the Treaty of Friendship, Commerce and Navigation, *equitable* treatment is not accorded U.S. businesses in Korea *vis a vis* domestic businesses."

In particular, Article VI, paragraph 3, speaks of "unreasonable or discriminatory measures," which "impair the legally acquired rights or interests of companies ... in the enterprises which they have established, in their capital, or in the skills, arts or technology which they have supplied."

The American complaints stretch from trade discrimination to problems over investment, taxation and protection of patents and trade marks.

As far as trade is concerned, the Americans say that Korean companies in America operate on an equal basis with U.S. companies, but to quote the American Chamber: "Korea has restricted access to its markets by banning items or importing *only upon recommendation of* the local manufacturers' association, with the intent of protecting local industries from external competition. In many cases, duties are placed so high that imported goods are not saleable. At the same time, they seek unrestricted access to U.S. markets and on a GSP basis."

One company received a demand for duty on some equipment it had imported more than a year before. The reason was that a rival company from another country had recently imported similar equipment under a different and high tax category. The Korean way of equalising the two companies was retrospectively to enforce *the higher duty import code.*

Grievances

Gulf Oil was another company with a grievance about tax laws when it was hit for a higher bill when as, long planned, it sold to the Government its share in the Korean company.

In investment, where scope for interpretation and discretion is wider, American businessmen say that uncertainty has unsettled relations and made Americans wary of Korea.

"The inducement laws for foreign investment are reasonable enough," commented one businessman. "But the problem is that there is a high degree of regulation and much *scope for interpretation, which* has increased since Park died."

Americans say that they are still not sure of the new South Korean Government. They cite *the plans for merging Korea's* two car companies and for power mergers.

"General Motors' owned 50 per cent of Saehan and the Koreans' merger plans would have given GM 30 per cent of Hyundai. In power equipment they had General Electric and Westinghouse, both in bed with *the same Korean company*—and all this was planned without any discussion with the American interests," the businessman added.

As a result of uncertainties, foreign investment arrivals dipped last year, although investment approvals rose. Businessmen say that because of attitudes of officials American companies are looking at other companies in the region and that, in two cases, Korea has lost investment to competitors.

Revival in textile and footwear exports

LIGHT INDUSTRIES

KEVIN RAFFERTY

LIGHT INDUSTRIES, once the dazzling beauty of South Korea's economic growth, exports and employment, have recently been consigned like an ageing Cinderella back to the back kitchen, while the planners have chased after and spent their money on the new attractions of modern heavy industry.

In the last few months, however, the neglected beauty has still shown an ability to charm and capture markets while the chase of heavy industry has proved an expensive courtship.

Against this, there are lines and wrinkles even in the light industrial scene which will require more than a coat of paint or foundation cream if foreign suitors are to continue coming to South Korea's door.

The revival of exports in the first quarter of this year has been led by textiles and footwear, the two main items of light industrial products. Textile exports rose by 28.9 per cent and footwear by 23.7 per cent, compared to overall export growth in the quarter of about 20 per cent compared to 1980.

Investment

In heavy industries (apart from chemical products which went up by 35 per cent from a tiny base), only shipbuilding with a 28.8 per cent increase, was in the same sort of league.

In terms of investment spending the share, of heavy industries, already dominant in the early 1970s, rose steadily in the course of the decade until 1978 when 80 per cent of investment was going to heavy industry. In 1979, there was something of a swing-back with heavy industry taking only 75.8 per cent of investment spending.

In the same period, heavy industries did not make anything like the same breakthrough in exports, let alone in employment. Light industries are still in the lead with 52.4 per cent of exports in 1980, of which textiles with $5bn or nearly 29 per cent of total exports, were the biggest contributor.

Electronics goods, which are classified as the products of heavy industry, were the next biggest single item worth $2bn.

The expectations are that the share of light industries in exports will fall to just over 51 per cent this year and to below 49 per cent in 1982: but this hope may not be met in view of the good performance of light industry and the problems of the heavy industrial sector.

Recognition both of the problems of heavy industry and of the need for new investment in light industry will lead to some redressing of the balance and higher spending in light industry. The next Five-Year Plan, starting in 1982, will probably seek a 60:40 split in favour of heavy industrial investment.

Whether this can be achieved is another matter. There are some economists who believe that if heavy industry is to fulfil its promise it will require more and more funds. This is because commitments are high and because some of the projects are so patchy that they will need good money throwing after bad to set up competitive plants.

Textiles dominate Korean industry, not only for its export earnings, but also because it accounts for almost a quarter of the 3m workers in manufacturing.

Throughout most of the 1970s the industry grew at average annual rates of almost 30 per cent, or more than twice the rate of gross national product. But in 1979 textiles production growth was only 5.1 per cent, and last year it was 7.6 per cent.

Export growth at 11 per cent last year was higher than Gross National Product growth, but way below the 30 per cent a year increases in the 1970s and it was only achieved with the help of a huge 36 per cent depreciation of the Won, otherwise many Korean textile products would have been uncompetitive.

But higher value products depend on new investment and on new skills of marketing and design. There is disagreement about how old Korean textile machinery has become. Some sources say that 30 per cent or more of the machinery needs replacing, and some officials say that there has been steady replacement of the older machines, but this is putting a brave face on the neglect.

An official admission of the problems came at the end of March when the monthly Trade Expansion Council, chaired by President Chun, announced a plan to promote textile exports, including a 10bn Won fund to help modernise the industry.

In addition, the Government will construct dyeing industry complexes in Seoul, Taegu and Pusan to help in diversifying products. Dyeing machinery is acknowledged to be particularly outdated.

But simply spending more money on machinery will not solve the problems. To some extent, even the money that has been spent has been subject to the kind of waste seen on a much more grand scale in heavy industrial spending.

Investment projects are often inappropriate. For example, Korea has bought costly but highly effcient water jet looms from Japan capable of weaving huge quantities of plain fabric—and then discovered, only after buying that world demand for the product is erratic.

Plateau

The industry is now on something of a plateau. Paradoxically, Korea's textile exports are protected by the quota system, provided that its prices do not move too far out of line with those of its international rivals. Some economists say there is evidence that buyers, having exhausted their quotas for Hong Kong and Taiwanese textiles, have flown on to Korea to buy there.

However, by the same token of quotas, it is difficult for Korea to continue to sustain the same sort of textile growth as it had in the 1970s. There may be new markets to be tried, but a number of these are in developing countries which may be competitors with Korea.

At the cheap end of the scale, Korea faces competition from lower-priced countries such as Indonesia, Thailand, Sri Lanka and Brazil, as well as longer-established competitors such as India and Pakistan—all of which have lower labour costs. Labour and energy costs are among the heaviest costs pushing up prices, but Korea is not helped by having none of its own cotton or wool raw materials.

With an experienced labour force, there would be every advantage for Korea to move up-market and to make in value what it is prevented by quotas from achieving in extra volume sales. The most labour intensive garment making business accounts for 60 per cent of the country's textile sales.

Those who know well the Korean textile industry, admit that its difficulties are not simply those of increasing costs or of import quotas, but also of poor quality products and lack of diversification. But if Korea tries hard to go up-market, as Hong Kong, for example, is doing, it will find it needs lots of new skills and a more internationalist approach to move out and sell and create new markets for new products.

In footwear, Korea is hoping for a boost from the ending due at the end of June this year of the orderly marketing arrangement imposed by the U.S. Government on non-rubber shoes. If the arrangement imposed in June, 1979, is lifted as scheduled it may mean the export of another 15m shoes to America this year.

In 1980, Korea's footwear production fell by almost 8 per cent to 265.5m pairs: but though exports declined in volume by 2.8 per cent they increased in value by 16 per cent to nearly $900m. More than 70 per cent of all exports go to four countries, the U.S., Japan, the UK and Canada, with the U.S. last year taking almost half of the 200m pairs that were exported.

Footwear production also has its problems. Cheap canvas shoes dominate both production and exports. Other types of shoes have had their problems, especially rubber shoes and boots in which production costs have risen much faster than export prices.

Controls to be eased

DOMESTIC BANKING

ANN CHARTERS

KOREA'S financial system may finally see the light of the free market as long-recommended plans to take the Government out of commercial banking, start to materialise. The World Bank, among others, has suggested for years that the Government should free controls in the backward banking sector, as an essential step towards creating a more viable money market. Gathering consensus for such a move, however, took until late last year, even though the de-control will be gradual.

Difficulties arose as to how the five commercial banks, with branches nationwide, would become privately run. The Government has used these banks as a conduit for policy loans, influencing which sectors were benefited. It was, in part, because the Government single-handedly controlled credit decisions that there was over-investment in heavy and chemical industry in the last decade.

By requiring any Korean company with bank borrowings of about $9m to use one of the five banks as its main (prime) bank, the Government has played a major role in companies' financial decisions as well. Companies that grew accustomed to an almost bottomless purse will not have been anxious to see their banking relationships become less cosy.

Although the government is also understandably reluctant to change a system that resulted in Korea's economic miracle of the past two decades, enough policy-makers are convinced that a second take-off may be less spectacular without such an overhaul.

Despite the fact that the five commercial banks have some private shareholders, Government control has encompassed even lower-level personnel policies, hirings and firings, salary reviews and budgets. Loosening the rein on the banks means that not only will Korean commercial bankers have to learn to take charge of internal management, but they will be called upon to make credit decisions as well. Their Korean clients, on the other hand, are being told to assume responsibility for their own financial wellbeing.

The Bank of Korea began an initial pull-back from the influence it has wielded when it issued new guidelines, in March, for bank loans, effectively restricting the number of corporate bailouts.

Companies were told they would have to show that they could manage themselves back to financial health—banks were also given more leeway to deny credit to companies which did not improve their liquidity positions. This is still a long way from independent credit decisions being made in the market place, but it is a step.

Eventually, policy loans (as credit decisions in the public sector are called) may be granted only through fully-owned Government banks, such as the Korea Exchange Bank and the Korea Development Bank, but that could take years, according to foreign observers.

Great care

Until then, the Government will slowly sell its shares in the commercial banks to the public. The first to move into the private sphere will be the Hanil Bank, in June. It was selected because the Government holds only 23.4 per cent of the equity, less than its holdings in other banks, and the private ownership is more dispersed.

The Government is taking great care to insure that none of the banks become controlled by large business conglomerates. Half of the Government's shares

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Signs of encouragement after some costly mistakes

HEAVY INDUSTRIES

RICHARD HANSON

SOUTH KOREA'S experience so far with heavy industries has produced strikingly mixed results. Like other countries (China, for one) attempting a forced march to a more advanced industrial status South Korea has found that the price of making mistakes is high.

Four years ago heavy industries looked to be the pillars of a new industrial "revolution." It was thought that a strategy of sprinting quickly into shipbuilding, metals, heavy machinery, cars, chemicals, electronics and *other* base industries was needed to cope with a predictable shift in comparative advantage (in exports) away from labour-intensive industries and towards capital-intensive skilled industries.

Indeed the value of production from heavy industries topped that of light manufacturing for the first time in 1977, the five-year plan launched that year called for investments of several billion dollars in further expansion (at the expense, as it turned out, of other business sectors, such as textiles).

The balloon burst rather quickly, though. An accumulation of distortions in the economy (ironically including *massive spending for heavy* industry) contributed to serious overheating in 1977-1978, forcing cancellations and postponements of many projects. But most South Korean enterprises were already well advanced in their expansion plans, and could not turn back. The country had to face the shock of the second oil crisis (and the uncertainties caused by President Park Chung Hee's assassination) with large segments of heavy industry desperately in need of restructuring.

Not all of South Korea's advances into heavy industry have resulted in disaster, however. The most striking exception is shipbuilding, which after a rather rough period, has bounced back with a surge in new orders from abroad. Last year orders rose from about 1m tonnes in 1979 to 1.4m tonnes. The Koreans are particularly happy about a recent order from Japan, won by Hyundai Heavy Industries in competition with Japanese shipbuilders, for a gas drilling rig.

This year, albeit several years behind schedule, Korea's second giant dockyard, owned by the Daewoo Group, will be completed at Okpo with another 1.2m tonnes of capacity.

In addition to shipbuilding, the government can (and does) cite steel as a "winner" despite early doubts over the wisdom of a developing country investing huge amounts in an integrated mill. The government-owned Pohang Iron and Steel Company (Posco) this year completed installation of 3m tonnes of new capacity, bringing the total to 8.5m a year.

Big losses

But with such exceptions as these (and it is not clear how profitable they are in any case), most heavy industries were suffering enormous losses during last year's deep recession.

Three critical examples of troubles were cars, heavy electrical machinery and chemicals. The motor industry operated at less than half capacity. The biggest power equipment complex, Changwon in the south, (whose problems will be discussed later) could not meet its payroll for two separate three-month stretches.

In petrochemicals, a second major refinery and petrochemical complex had come on stream late in 1979, but the following year demand for petrochemicals fell by "at least" 20 per cent. Since such plants cannot be shut off, operations continued at a loss, with some attempt to export. Given the high cost of imported oil, it seems unlikely petrochemicals will become viable until a more sophisticated "downstream" export industry develops. This could take years considering South Korea's slow start (compared with Taiwan, for example.)

The task of reorganising heavy industry, where changes are possible, fell squarely on to the Government, whose policies in the 1970s had contributed to the roots of the problem. In retrospect, the Government (which controls the flow of investment funds to industry) might have prevented duplication by companies and creation of the excess capacity now hurting a number of heavy industries. According to a World Bank study a full three quarters of investment in 1978—a year when the excesses were already apparent to *many*—was covered by debt.

The Government launched a review of the problems *in April* 1979, when a committee to review plans and priorities was created. The first action, an attempt to merge the power equipment industry, failed. Hyundai Heavy Industry and Hyundai International (the independent company in charge of the giant heavy electric equipment project at Changwon) could not make the merger work, partly because of an intense rivalry between the brothers who had run each company separately since 1962.

After a year of no progress in restructuring, the economic advisers under South Korea's emerging new strong man, General (now President) Chun Doo Hwan, seized the opportunity of martial law (and a paralysed bureaucracy) to present industry with a sweeping series of reorganisation plans last summer. These were to implement change in the power equipment and machinery, motor, telecommunications equipment, marine diesel engines and copper smelting industries, among other "reforms" of business.

The martial law background to these directives gave them the force of "orders" from the top. The feeling that the Government (then in the hands of the military) was bullying private industry has left a sour feeling between government and business (replacing a rather cozy relationship under the previous regime) which may be hard to erase. The difficulties faced in carrying through what the government proposed led to a widespread impression that many of President Chun's advisers simply lacked the practical experience needed to run business.

To be fair, government probably had little choice but to act somewhat hastily.

The centrepiece of the Government's plan was a reorganisation of both the power equipment and motor car industries. It proposed that one company *take over prime responsibility* for each, taking competing divisions away from others. To businessmen, having properties reshuffled by Fiat was a particularly shocking experience. But since the Government directives to business were interspersed those days with various purges in politics the bureaucracy and banking, social reforms and other shows of "muscle" from strong man Chun nobody felt inclined to argue.

The companies involved in fact made valiant attempts to comply. The difficulty of doing so, however, became apparent almost immediately.

Responsibilities

In a meeting with the Government the respective chiefs of the Hyundai and Daewoo groups, Mr. Chung Ju Yung—considered Korea's leading businessman—and Mr. Kim Woo Choong, a shrewd younger man, were asked to divide up power equipment and cars. According to one account the Daewoo chairman gave first choice to Mr. Chung out of a Korean sense of respect for one's elders. To his chagrin, Mr. Chung took cars.

What this meant was that Daewoo, with some experience in power equipment on its own, was temporarily saddled with the huge loss-producing ($150m in 1980) Changwon project inherited from Hyundai International. Changwon itself is a remarkable example of how ambitious South Koreans are. It involves (at present) $500m in capital investment on a 4.3m square metre site, partially carved out of solid granite near the port of Masan in the south. *When completed—now set for* 1982—its seven main plants will represent one of the most formidable industrial complexes in the world, and one of the few areas theoretically capable of fabricating entire nuclear power plants.

Resources

Daewoo, after two months' study last summer, reported to the Government. Changwon would require $800m to complete and start operations. Daewoo could supply $200m (through such desperate means as selling the group's modern headquarters in downtown Seoul). The Government would have to find the rest.

Daewoo was quickly taken out of the project once the Government, shocked at Daewoo's report, concluded that the private *sector could not muster* the resources needed to carry the Changwon project through to completion. After only two months under Daewoo, Changwon was put under the wing of the mostly government-owned Korea Electric Company (KECO) the national electric power monopoly.

It was arranged that a new company, Korea Heavy Industries and Construction, would be formed, with KECO, the Korea Development Bank and South Korea's Exim Bank as the major shareholders. In effect Changwon was nationalised. Korea Heavy was given the exclusive right to domestic power equipment orders. Its executives now cautiously predict it will be profitable by about 1985.

Meantime, while Korea Heavy Industries is struggling to maintain payments on royalties to foreign suppliers of technology, two other foreign ventures in power equipment, between Daewoo and Brown Boveri of Switzerland, and Daewoo and Deutsche Babcock of West Germany, are being liquidated, probably with some *loss to the partners.*

Having "settled" the power equipment problem, the Government turned its attention back to the car industry, which had been unable to agree on a workable plan to create just one passenger car company. The two principal companies are Hyundai Motor, which with some outside help developed a "Korean" car, the Pony, in the 1970s, and Saehan Motor, a joint venture between General Motors (GM) and the Daewoo group.

GM and Hyundai failed to *sort out the problem of dividing* equity and management responsibilities in a new joint venture. The plan was thus deadlocked until March this year, when the Government announced that the two companies would both be allowed to remain in the passenger car business. (A third company will take over truck and bus production.)

Production

To meet the Government's goal of about 1m units of passenger car production capacity (about 300,000 at present) sometime this decade, both Hyundai and the Saehan venture are expected to make large investments in new plant. For Hyundai this will most likely mean large infusions of technology from the outside (Mitsubishi Motor of Japan is most often mentioned as a possible partner, because of past ties).

GM and Daewoo are discussing whether to go ahead with a massive investment to produce the "world car" in Korea. Both projects would mean that most of the output would have to go to exports. (The domestic market is still small and inhibited by high fuel and car taxes.) This will require a substantial improvement in the quality of South Korean production, however, and large investments in building up a substructure of quality parts suppliers.

GM in particular may be reluctant to go ahead, because it cannot rely, for the moment, on quality in South Korean production for exports. Many *foreign businessmen have also* been alarmed at the rash Government decision of the past year, and wonder whether their investments can be guaranteed in the future.

Despite the troubles in getting this far, South Korean officials and businessmen remain convinced that opting for heavy industries was essentially the right choice. As one top businessman explains: "Sometimes (in developing countries like South Korea) you must sacrifice good judgment to achieve dynamic action." The country is still hoping that "dynamic" action is on the way.

Not all of South Korea's rapid advances into heavy industry have resulted in disaster—shipbuilding, for example, has attracted a surge of new orders from abroad

Controls to be eased

CONTINUED FROM PREVIOUS PAGE

must be sold to individuals and half to companies. There is a ceiling being placed on the total number of shares held by large shareholders, in an attempt to keep the banks as independent as possible. The Ministry of Finance plans for the other four banks to become private by 1985.

Another impetus to modernisation of the banking system is the creation of one or two joint venture banks. Although the exact nature of such a bank has not yet been publicly defined, it appears that it will combine the know-how and about $35m in paid-in capital from a foreign partner, with Korean partners and a similar amount of capital. The Korean partner gains sophisticated banking experience, while the foreign partner could increase its share of the local market, especially with access to deposits and low-cost central bank loans currently denied to other foreign banks.

The Bank of America is the only major U.S. bank now pursuing the investment, but the Government is said to be interested in a Middle Eastern partner, as well. The outcome is expected to be announced some time this year.

The gradual liberalisation of the financial sector is deliberately slow to protect the Korean banks. There are 34 foreign bank branches in South Korea, making the market very competitive.

Three banks, including Marine Midland, have opened branches within the past six months. The big three U.S. banks, Citibank, Chase and Bank of America, and two major Japanese banks have had branches in Seoul since 1967.

Despite the fact that foreign bank branches have assets equal to only 16 per cent of the total assets of the five commercial banks, as of late last year, Korean banks would still be at a disadvantage, Government officials maintain, if their management suddenly were to become autonomous.

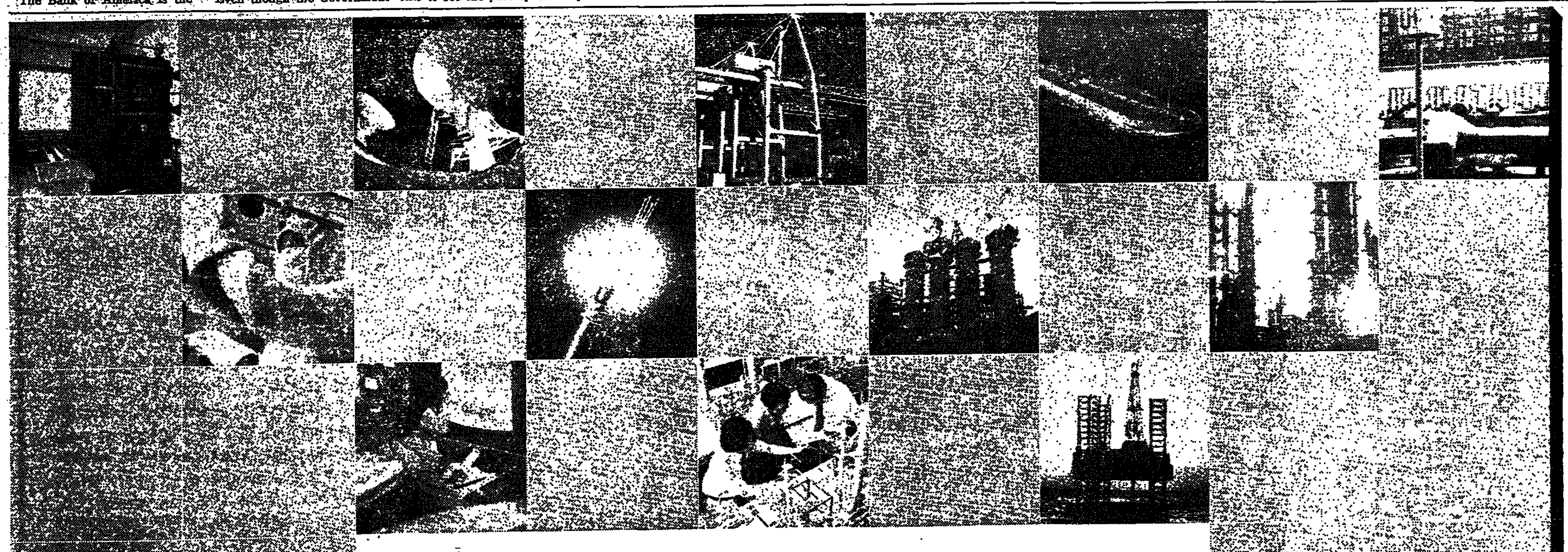
Even though the Government is moving out of one sector of banking gradually, the Bank of Korea, Korea's central bank, continues to regulate the banking system closely. Some foreign banks argue that the regulation is too weighted in favour of Korean institutions, slowing down the development of modern financial services.

Forward dealings at market rates in foreign exchange were only permitted early this year, for instance. Prior to that time, the Bank of Korea set the rates at levels which attracted few customers.

The capital market will be opened slowly to foreign investors, perhaps as early as this year. Initially, a Korean fund, either an open-end unit type fund or a closed-end mutual fund, is to be established and sold overseas.

South Korea has seen the success the Japan fund had in raising capital and would like to do as well.

International institutions are encouraging the country's efforts although some would like to see the pace speeded up.



Much dissent under the surface

LABOUR FORCE

KEVIN RAFFERTY

A KEY plank in the Chun Government's economic programme is the need to persuade workers to accept another fall in their real wages this year to avoid adding fuel to inflation which has been chipping away at South Korea's competitive position.

Tough tactics and the arrest of union leaders have certainly made labour politically docile: the snag is that the tough measures may simply be incubating more complicated labour problems to hatch in the future.

The official line is that wage settlements this year will be kept in the range of about 15 per cent, compared to a target inflation rate reduced to between 20 and 25 per cent. There is a smiling and remarkable unanimity among officials from various departments that the battle is being won, despite the Korean Federation of Trade Unions (KFTU) call for 58 per cent increases. Certainly, the Government has worked overtime to persuade workers of the national need for restraint.

Guidelines

The Economic Planning Board prepared a pamphlet and officials toured the factories exhorting, cajoling and appealing to workers that their country needed them to be responsible and to accept hardship for another year so that Korea can climb back on its feet and compete with rivals among other developing countries. *In addition, companies* have been warned that if they exceed the guidelines they may find it difficult to obtain bank credit.

With luck, some officials explained, by doing more overtime as orders begin to improve, workers might hope to get back to real take-home pay levels of 1979. Last year—when consumer prices rose by 35 per cent and wages by about 24 per cent—employers and workers were encouraged to reduce overtime rather than increase unemployment. Even so, unemployment rose to 5.2 per cent, compared to the previous 3.8 per cent.

In spite of the Government's optimism about keeping wages down, there are several odd factors about the 1981 wage round. Labour contracts expire in February and are extendable by three months.

Normally, by this time of year all the settlements would have been made. But by mid-May 1981 many of the negotiations were still pending, with companies waiting to see what other companies were doing. *Citibank, usually among the* pacesetters, was still in an early stage of talks.

Officials in the Economic Planning Board talked vaguely of industrial agreements in the 15 per cent range without being able to cite actual examples.

One company with Japanese partners, which the Financial Times was able to check, had paid wage increases of closer to 30 per cent.

Labour specialists not wedded to the Chun Government said that the tough "purification" measures under which more than a hundred trade union leaders were arrested or removed, including 12 of 17 national KFTU presidents, could well boomerang. The clean-out meant that the Government had few union leaders whom it trusted and who would be trusted by the workers in transmitting the message of wage restraint. Whether or not the workers would accept 15 per cent would depend on the workers themselves at individual factories throughout the country.

With bargaining done on an individual company basis, employees of companies that were doing well would expect more and probably more than the cost of living—others would not like to lag far behind. Even if the government does manage to get away with a low increase in this delayed spring offensive, it may *find that* there are new demands in the autumn for a supplementary round of pay rises.

The question of the immediate pay increases is only one area of potential danger in the new policy on labour. Some labour specialists describe the Chun Government policy as "dismantling the unions, without dismantling them."

Trade unions have never been especially strong in Korea. In may 1980 there were about 1.1m unionised workers. This was out of a total of about 15m workers, including the self-employed and workers in the primary sector and about 7m, excluding self-employed.

Leaving out the defence forces, workers in defence establishments and companies employing fewer than 10 people, potential union strength would be about 3.7m.

However, the numbers belonging to unions have already been dropping. The most recent figure for union membership is about 910,000 and, by now, some observers believe actual membership may have fallen to only 600,000.

Corruption

In the days of President Park Chung Hee, unions could not be said to represent or fight for workers. They were more of a "shock absorber" between managements and workers. Many of the national union presidents were placed there by Park as men upon whom he could rely and a number of them were corrupt.

For this reason, the purification campaign alone, if it had been limited to removing corrupt leaders, might have been a good thing. But the way in which it was done, the general climate of fear and a string of other measures have all roughly pulled out the few milk teeth that Korean trades unions had grown.

Among the measures introduced in December are restrictions on the formation of a union, unless the workers wanting it are 20 per cent of the work force (previously as few as two workers could start *a union); an extension of the* "cooling off period" before strikes, from 20 to 30 days in normal industries and from 30 to 40 days in those decreed vital to the national interest; imposition of a new demand that unions must not only seek to improve the terms and conditions of their members, as the old law stated, but must look after the welfare of their members — thus siphoning-off up to half the funds and weakening a union's ability to take industrial action; a ban on advocating compulsory union membership; setting up of labour management councils in companies with more than 100 employees.

The right to strike is enshrined in the new constitution, but it is clearly more difficult to co-ordinate effective action.

Observers take the view that these measures are designed to discourage confrontation and encourage co-operation and, in other societies and in other circumstances, they might be factors which could improve the labour climate. But in authoritarian Korea, according to non-Government labour experts, they lead the odds further in favour of employers.

Perhaps the most controversial of the new measures is that requiring labour management councils. The management side has to report quarterly on the company's progress and plans: employees explain labour demands and grumbles; the two sides can discuss improvements in productivity, labour welfare, training and education, avoidance of potential disputes.

Officials say that the new councils are evidence of the Government's desire to improve working conditions by bringing labour and management together. Opponents say the scheme is an attempt to remove whatever harmless sting the trade unions still have by setting up a rival body, as the new councils have neither the right to strike nor to collective bargaining.

A further restriction on the development of a national perspective by trade unions is that national industrial unions will no longer be allowed to negotiate directly with a company, but will only be able to give advice to the local union.

"The Government, in its paranoic state, is seeing unions as bogeymen," said a Korean labour specialist. "But a responsible and respected union leadership would be a vital conduit for information and discussion — which Korea needs above all at this stage of its development."

Some of the crucial and damaging mistakes made by Korea's economic planners might have been avoided if there had been a wider and more open discussion. The *special* insights of elected representatives of labour could be valuable; the trust of the workers in their representatives could be vital even to the Government in getting its messages across.

It is tempting, of course, to stifle trouble by keeping the lid firmly on argument and dissent. But in Korea today there is a good deal of unhappiness under the surface, which is held in check by fear of the *consequences* of protest.

THE RISE IN LABOUR COSTS

Indices of unit labour costs in Korea, as compared with the U.S., Japan, Taiwan and Singapore. Among the factors contributing to South Korea's slowdown in exports have been rising unit labour costs, some decline in export incentives, rigidity in exchange rate policy and increasing internal demand pressure. As noted in this table, unit labour costs in Korea have been rising significantly faster than those in its trade competitors and trade partners, and this was associated with a significantly higher relative rate of inflation in Korea; (1975 =100; in national currencies).

	1972	1973	1974	1975	1976	1977	1978	1979*
Korea	65.4	71.1	85.5	100.0	126.1	147.0	173.2	196.9
U.S.	74.6	76.7	84.9	100.0	100.7	107.3	115.7	123.2
Japan	59.8	62.0	80.4	100.0	99.4	104.0	102.0	99.1
Taiwan	65.2	70.5	100.9	100.0	95.3	94.8	90.1	94.3
Singapore	n.a.	71.4	90.7	100.0	99.7	120.4	n.a.	n.a.

* Average for January-September.
Source: Data provided by EPB.

Eight nuclear plants under construction

ENERGY POLICY

ANN CHARTERS

SOUTH KOREA, along with many countries dependent on imported oil, must keep its relations with oil-rich nations cordial while continuing to shift its energy infrastructure away from oil. South Korea, like others, would have rethought its long-term commitment to oil much earlier if it could have foreseen the second oil shock.

Whether it was inertia after the first shock in 1973 which caused Korea to continue building oil-based power plants or simply a belief that it was the easiest and quickest way to meet the rising demand for electricity, there is no question now that the country is moving swiftly to coal and natural gas, as well as nuclear power, for its energy needs.

The first oil shock was easily overcome — South Korea even had a surplus in its current account in 1977. But the jump in oil prices again, in the late 1970s, painfully demonstrated that basic changes in the country's infrastructure had to be made.

The Middle East, specifically Saudi Arabia, Kuwait and Iran, supply 80 to 85 per cent of Korea's crude oil on a long-term contract basis.

Oil bill

The trade deficit with Saudi Arbia skyrocketed to $2,342m last year, practically triple the 1979 deficit. The 81.5 per cent increase ($2,529m) in the oil import bill was the single most important factor in Korea's deteriorating trade balance. Korea expects to import 219m barrels of oil this year, up almost 20 per cent over 1980.

Although Korea is paying dearly for its continued high dependence on oil, it is driving tough bargains for its nuclear programme. After a relatively late start in the nuclear field, compared to Western European countries, the United States and Japan, Korea now enjoys a buyers' market. In 1975, and as late as 1976, Korea was having a fairly difficult time raising foreign exchange.

According to the Assistant Minister of Planning for Energy and Resources, Lee Bong Suk, those countries with nuclear power plants to sell did not want Korea as a customer because they were unwilling to assume the foreign exchange risk. There was also an abundance of customers then.

The market for new nuclear contracts has recently been the reverse, with customers a rare commodity. Korea's foreign exchange position is also stronger. Except for the first nuclear power plant which has been operating since 1978, the subsequent eight nuclear plants now under construction, or about to begin, will cost about $1,200 per kilowatt capacity, according to a Ministry official.

At an average unit capacity of 900,000 KW, Korea's investment in nuclear power is running to $1.3bn to $1.4bn a unit today. Although the six plants that are under contract since 1978 are all 900,000 KW or over, the two nuclear power plants scheduled for starting up operations in 1983 will each have a capacity of about 650,000 KW.

French contract

Until last year, Korea has relied heavily on the United States, specifically Westinghouse, to supply six pressurised water reactors. But last year's contract for two nuclear reactors was awarded to Framatome of France, which makes a reactor under licence from Westinghouse. Awarding the contract to the French moved Korea away from total dependence on the United States for nuclear technology.

Former President Carter's policies towards Korea with his Government's human rights' focus and the initial talk of withdrawing U.S. troops stationed in the country, caused concern in Seoul about what other previous commitments might become unglued. Although the Korean Government was assured that uranium and nuclear equipment would still be transferred, it was deemed a propitious time to strengthen ties in the nuclear field with the French according to a Government official.

The more liberal attitude of the French Government toward transfers of nuclear technology was definitely one of the reasons the contract for plants number 9 and 10 went to Framatome, on the last round.

Korea also is interested in expanding exports to the Middle East and Africa where the French could be helpful.

Exactly what technology the French will actually transfer remains to be worked out in detail. But the degree to which the differences are substantial will have a significant bearing on what company supplies the reactors for Korea's next three nuclear plants, according to Assistant Minister Lee. Bidding for numbers 11 and 12 will probably come as early as June, with the 13th nuclear power plant also a possibility for bids this year.

The nuclear programme will start to pay dividends as early as 1983 when two more plants start operations. At that time, electricity generated from nuclear sources should equal that generated from oil.

Unhampered by public opposition to unclear development, Korea should have 13 nuclear power plants in operation by 1991. This means that, in 10 years, nuclear energy will account for more than 50 per cent of the power generated with 40 per cent of the installed capacity, while petroleum will source only 10 per cent with 20 per cent of the country's installed capacity. Korea will then be one of the nations most dependent on nuclear power in the world.

With anthracite coal practically its only indigenous energy source, Korea will always remain vulnerable to imported energy supplies. Diversifying its sources and spreading its dependence over different fuels with long-term supply commitments helps reduce the vulnerability, but requires aggressive energy diplomacy.

The country has recently increased its search for imported bituminous coal and liquefied natural gas. Four thermal power plants were recently switched from oil to coal burning and 10 joint-venture projects in overseas coal mining operations are currently under discussion.

Paul Cheeseright, World Trade Editor, says that companies face a growing worldwide problem of counterfeit branded products

When a brake pad is not what it seems . . .

TURNER AND Newall of Manchester has just heard that its trademark is being infringed in Egypt. A consignment of disc brake pads, made in Taiwan but bearing the group's Ferodo label, has arrived on the market.

Alexander Engineering of Hadenham, Bucks, is waiting for a New Zealand court hearing to claim damages against Quest Industries for infringing the design copyright on its steering wheels and adaptor bosses, the attachment mechanism.

These two cases highlight the growing international problem of commercial counterfeiting, a problem which extends beyond the motor industry into electronics, pharmaceuticals, luxury goods, fashionwear and sports goods. The problem is the widespread practice of taking an item with an international brand name, reproducing it with varying degrees of skill and passing it off in copied packaging as the genuine product.

"If you have a well-known product, you're in the line of fire, whether it's a car accessory, a tennis racquet or a pen," notes Parker Pen, which has to contend with Italian-made counterfeits of its T-ball Special ballpoint pen being pushed on to the market through street traders at half the price of the real article.

Two-thirds of the complaints which the Department of Trade in London receives from British companies whose sales are damaged in third markets concern Taiwan, widely thought to be the largest single source of counterfeited goods.

This explains why, this week, representatives from the European car industry in the Comité de Liaison de La Construction d'Equipement et de Pièces d'Automobile are setting out for Taipei again to take up the issue with the Taiwan Government.

But Taiwan is not the only source. Indeed, executives from Alexander Engineering have heard counterfeiting companies in Singapore complain that business for a car steering wheel cover, which in Germany carries the trademark Avus, after the Berlin motor racing track, has been bad.

Taiwan is believed to be the largest single source of counterfeit goods. The country is under international pressure to increase penalties for offenders, and a European car industry delegation is visiting Taipei this week to discuss the issue.

The explanation, it turned out, was a flaw in the copied packaging of the fraudulent version. The "v" in Avus had been turned into an "n."

When the counterfeiters are so incompetent, there is a built-in safeguard for the owners of the original trademark in the developed and sophisticated markets. Consumer resistance would be aroused by the sight of the shoddy masquerading as the internationally reputable.

The main threat for many British companies is in the markets of the Third World where brand names might be recognised but not the difference between the real and the fraudulent product, especially when the latter carries identical packaging.

"British companies are suffering significant losses of export markets to counterfeited goods which are being promoted quite unscrupulously," said Mr Cecil Parkinson, the Minister for Trade, in February.

Alexander Engineering calculates that it has been losing sales of up to £150,000 a year in Australia and New Zealand because of its problems with Quest Industries. Turner and Newall has said that Ferodo sales from its Ibadan factory in Nigeria dropped from £236,000 a month to £39,450 a month last year because of Taiwanese counterfeited goods, although they have climbed slightly since.

But such figures are few and do not in any case take into account the running expenses of companies seeking to defend their trademarks around the world. "If anything crops up, we pounce," said Dunlop.

This involves paying inquiry agents to trace the source of the counterfeited goods and then the institution of legal action. That happened in Chile, for example, when Dunlop acted to protect its sports goods.

Similarly, Turner and Newall detective work in Taiwan discovered Ferodo boxes in local factories and led to a successful court action against Ta Tong, a brake lining manufacturer.

Companies are now beginning to pool information gathered in countering the counterfeiters. The Anti-Counterfeiting Group (ACG) was established in the UK last year. Its members include Dunlop, Lucas Industries, Parker Pen, Wellcome Foundation, Ronson Products, British American Tobacco, Associated Engineering and GKN.

There is some overlap of membership with the Society of Motor Manufacturers and Traders (SMMT) and also with International Anticounterfeiting Coalition (IAC), a U.S. based group, which sprang out of the experience of Levi Strauss in the late 1970s.

The group's blue jeans were being counterfeited in Asia and sold in Western Europe. Although the jeans looked the same as Levi's, they were prone to shrink and wore out more quickly.

The first members of the IAC included the American Apparel Manufacturers Association, Cartier, Christian Dior, Coca Cola, A. T. Cross, Distillers, the Federation of Swiss Watch Manufacturers, General Electric of the U.S., General Mills, Helene Curtis, Moet-Hennessy, Munsingwear, Pfizer, Pierre Cardin, Puma, Singer and Walt Disner, noted Mr William Walker, the IAC counsel.*

Some of the companies engaged in the fight against counterfeiting

After pressure from Levi Strauss and others, the U.S. enacted legislation in 1978 which permits the seizure by the Customs Service of goods entering the country but bearing counterfeited trademarks.

But on the international stage so far, such moves have been unsuccessful. Although, within the World Intellectual Property Organisation, the Paris Convention for the Protection of Industrial Property declares counterfeiting to be unlawful, the sanctions against it are left to national law.

There has therefore been an attempt by the IAC to promote an anti-counterfeiting code within the General Agreement on Tariffs and Trade (GATT). Sponsored by the U.S. and the EEC, a draft code was introduced during the last stages of GATT's Tokyo Round of multilateral trade negotiations.

But that code did not win approval. Moreover, efforts to attract support from around the world for it since, so that a code might be put before the GATT signatories by the end of the year, have foundered.

Although a code would indicate that the major trading countries are no longer prepared to see counterfeiting grow unchecked, the existence of GATT code might not, in itself, lessen the problem. There is no guarantee that the countries known as a source of counterfeited goods or as a market for them—pretty well everywhere in the developing world—would sign it.

This suggests that in the immediate future the main thrust of companies and governments will have to be on a local basis. Thus Turner and Newall has been lobbying hard in Nigeria to have official action taken against counterfeited imports, not only in terms of import inspections and higher duties but also in closer scrutiny of applications for foreign exchange to buy imported goods.

But, as this experience is showing, the trade can simply be pushed underground, and Taiwan is now apparently shipping brake linings without markings to Nigeria and producing packaging within the country.

Companies, too, are using their governments to put diplomatic pressure on transgressing countries. Last year Samuel Eden of Ashfield complained to Whitehall that South Korean companies had been copying its socks and selling them in the Middle East. The British Government made representations, and, partly as a consequence, South Korea joined the Paris Convention.

However, while pressure on counterfeiters has been building up internationally, a part of the local protective mechanism in the UK has been removed by a decision of the Law Lords. This relates to Anton Piller orders.

Such orders were granted by the courts on private application from companies. Thereafter, premises could be entered, counterfeited goods seized and information about their source could be demanded from the owners.

Now, after the Lords ruling, the power of search and seizure remains, but the owners of counterfeited goods may be able to escape giving information about their source.

The effect, said Mr Iain Mills, Conservative MP for Meriden, in the Commons last month, is that it "will allow defendants to plead that disclosure would render them liable to prosecution for conspiracy to defraud and under the previous privilege against self-discrimination, disclosure would not be granted. I am informed that as the defendants are then defined as criminals, suitable civil action cannot be taken."

The ACG and SMMT are anxious to have the Lords ruling superseded by legislation, within the terms of the Supreme Court Bill. Although the Government is sympathetic, there are problems about incorporating the requisite new clauses in what is essentially consolidating legislation.

The other side of the local action is an attack on the source of the counterfeiting. One line of defence for affected companies is to register their trademarks in such places as Taiwan. Another is the pursuit of companies known to be manufacturing counterfeited goods in their domestic courts.

In Taiwan, the main concern internationally, that is difficult. Trademark infringement there is a criminal offence, so it is necessary to stage police raids to find the evidence on which to base a prosecution. If there is a tip-off, the company can clean out its premises and defeat the object of the raid.

In the event of a prosecution, a representative director of the company involved is held responsible. If found guilty, as is quite often, he is usually given a jail sentence of up to six months. But this can be commuted to a fine which works out at about £60.

Taiwan is under considerable international pressure to change the system, so as to be more severe to counterfeiters. "What we are talking about is the theft of technology," said Mr Parkinson. "It negates commercial incentive to innovate. It harms trading relationships. It is a confidence trick on the consumer. In the field of motor parts, it could cause accidents. It has to stop."

** Private Initiative to Thwart the Trade in Counterfeit Goods by William N Walker: The World Economy, Volume 4, No. 1. Basil Blackwell for Trade Policy Research Centre, London.*

Politics Today, by Malcolm Rutherford, will appear tomorrow.

Letters to the Editor

Subsidising the foreign sector

From Mr M Hartley

Sir,—It is a continuing source of wonder how a Conservative Government continues to penalise the long term interests of British industry and commerce and yet expects its steadfast support, both politically and financially.

The confiscatory tax treatment meted out to the clearing banks and North Sea oil companies is the most recent example, but the question must be asked, does the Government realise how especially unfair it is being to British interests?

I have just read the annual report of the Allied Corporation of America which states: "The British Government has announced a plan to impose in 1981 a supplementary tax on North Sea oil and gas revenue. Information currently available indicates the tax could reduce UTP after-tax income by about $20m in 1981. Most of that sum would be offset by the continuing tax benefits Allied expect in 1981 from the recent U.S./UK tax treaty."

I understand that this benefit arises to U.S. corporations under Article 10 of the new UK/U.S. tax treaty and not as a result of the North Sea supplementary petroleum duty which is indiscriminating in its effect. Nevertheless the effect is to give a substantial advantage to a U.S. company.

It is one thing to subsidise the public sector but must private enterprise now subsidise our foreign sector friends as well?

M. S. H. Hartley,
Trinity House, Gilling East, York.

Coal conversion project

From the Chairman, National Coal Board.

Sir,—I can assure Mr Olliver (May 27) that the National Coal Board's policy on coal conversion is not one of secrecy. In fact a great deal has been written on the subject. But we do, of course, need to safeguard information of commercial value.

During business negotiations we have made available sufficient data for our liquefaction process to be compared with U.S. and German processes by contracting companies acting for interests in North America and Australia, and we are confident of our competitive position.

The NCB process has been developed to maximise the yield of high-grade liquid fuels. We think there is sufficient information in papers which have been, or are about to be, published in the technical Press to substantiate our claims—which I am glad to read that Mr Olliver endorses—on removing mineral matter from the coal before hydrogenation and on the economic advantages arising from high yields of liquid fuels per ton of coal used.

We have tested our process on a small scale on a wide range of coals from around the world, with highly promising results. We see the development of a UK coal liquefaction process as a way in which UK industry can take advantage of future worldwide business in this technology.

While exploitation overseas is important, it will be essential in the longer term to have the capability of building and operating efficient coal liquefaction plants in Britain by developing our own technology. For several decades coal liquids made overseas will command the same price on the world market as equivalent fuels made from mineral oil, and it would be imprudent to revert to a major dependence on imported energy.

For all these reasons we are glad that the Government has now approved the project.

(Sir) Derek Ezra.
National Coal Board,
Hobart House,
Grosvenor Place, SW1.

British Harrier preferred

From the General Secretary, Amalgamated Union of Engineering Workers (Technical Administrative and Supervisory Section)

Sir,—Mr. Donne's assertion (Aerospace survey, June 1) that the British aerospace industry favours the American Harrier is simply not true. The unions representing the workforce within BAe have made it quite clear they prefer the British version.

It may be, of course, that Mr Donne has some private knowledge of management's views. If, indeed, they are "going American," it is a forceful reminder of the effect of privatisation that the first important decision is to sell out Britain's national interest to the Americans.

I look forward to reading a proper analysis by Mr. Donne of the technological and commercial implications of a "buy American" policy, and his views on our fears that a loss of V/STOL design lead would lead swiftly to a dependence on American orders to the long term commercial detriment of British industry.

Ken Gill
(Chairman, Aerospace Sub-Committee of the Confederation of Shipbuilding and Engineering Unions).
Onslow Hall,
Little Green,
Richmond, Surrey.

Civil servants' contribution

From the Deputy General Secretary, Institution of Professional Civil Servants

Sir,—May I refer Mr. Romanes (May 30) to a publication of Her Majesty's Stationery Office entitled "Statement on the Defence Estimates" which states—inter alia: "The Ministry of Defence employs about one third of the home civil service. Among the Ministry's industrial concerns are the Royal Ordnance Factories, the Royal Dockyards and the research and development establishments. Over half the UK based staff—some 117,000 are industrials of whom some 38,000 are craftsmen. There are 8,000 apprentices whose numbers have been maintained at a high level to help provide a flow of craftsmen for the future. Of the UK based non industrials some 35,000 are scientists and technologists who provide the expertise needed in R and D, the dockyards and the ROFs." (Page 58).

The contribution these civil servants make to the economy by their industry is beyond question. The ROFs have earned millions in overseas orders and have twice been awarded the Queens Award for export achievement. Also, many of the technologies or sub-technologies have emerged from Government R and D establishments; work presently in hand on new energy sources could dramatically reshape the economy.

Civil servants making these contributions to the economy expect to be paid at levels similar to their counterparts in the private sector. It is the Government's refusal to release this evidence which has resulted in the present industrial action.

W. Wright,
The Institution of Professional Civil Servants,
Northumberland Street, WC2.

Paying the rates

From the Deputy Director, Economic Directorate, Confederation of British Industry

Sir,—Councillor Thompson (May 28) is a little disingenuous in suggesting business rates account for only 35 per cent of rate income. The public utilities, most of which are members of the CBI, are businesses and pay rates in the same way as private sector companies. The total yield of business rates has averaged around 45 per cent over the past five years. According to the financial statement and Budget report, the Treasury expects the yield from business rates in 1981-82 to overtake the yield from corporation tax.

We have calculated some figures at the CBI comparing rates paid by industrial and commercial companies (excluding North Sea oil activities) with their real profits (net of stock relief and capital consumption but before deducting interest or tax). These figures broadly show that the rates burden (which for any one year is a fixed cost and beyond the control of management) has increased as a proportion of real profits from around a quarter in 1977 to about a third in 1979 to well over a half in 1980. Given the even more depressing prospects for profitability this year and the average 18 per cent rate increases we have just suffered, the figure for 1981 will almost certainly be higher. No wonder those unfortunate businessmen who find themselves outside the areas of efficient councils which are co-operating with the Government's guidelines are complaining about rates!

A. J. Webb.
Confederation of British Industry,
Centre Point,
103, New Oxford Street, WC1.

Run Battersea on rubbish

From Mr. J. Cooper.

Sir, — Although the recent Save report on the future of Battersea power station (Men and Matters, June 1) advocates using it as a leisure centre, it might be cheaper and certainly more logical to retain it as a power station, but partly fuelled by London's rubbish. The recent Monopolies Commission report on the Central Electricity Generating Board suggested that refurbishment of existing coal-fired power stations may well be more economic than building further nuclear stations. Greater London Council's new Cringle Dock refuse transfer station is immediately adjacent to the power station and is equipped with pulverisers and electromagnetic separators, and little further preparation of the refuse would be needed. The transfer station can handle 800 tonnes of refuse daily, of which about 50 per cent can be used as fuel, giving an equivalent heat content of 200 tonnes of coal (50,000 tonnes a year if Cringle Dock continues to be operated on weekdays only).

This provides an opportunity for the GLC to dispose of its solid waste more cheaply and for the CEGB to obtain supplies of inexpensive supplementary fuel. If the power station were shut down for maintenance, the rubbish could still be shipped out by barge, while as the power would not be affected if the supstation would be coal-fired it would notbe affected if the supply of pulverised rubber were interrupted.

There is a further potential advantage in that Battersea power station provides heat for a district heating scheme for flats on the opposite bank of the Thames. Since the Department of Energy is now evaluating the development of combined heat and power in Britain, why not use Battersea as a test-bed since much of the infrastructure already exists?

Jeff Cooper.
(Senior Lecturer in Geography.)
Kingston Polytechnic,
Penrhyn Road,
Kingston-upon-Thames, Surrey.

Estimates and actual costs

From Mr R. Pearce.

Sir,—With reference to your report on Rutland (May 29), I was interested to read that once again capital estimates were grossly exceeded by actual costs. In this instance the original estimate of the creation of Rutland Water was £13m, whereas the final cost was nearer £50m. Similar enormous rises have recently happened with the Humber Bridge and the Isle of Grain power station. Do the planners of these large projects not make allowances for delays, labour disputes, and rising costs? I should think that when the Channel tunnel comes to be built the final definite estimate should be multiplied by four to give the long-suffering tax-payer some idea of just how much of our money is going to be spent.

In a similar vein when members of Parliament pass legislation they ought to consider what the opposite effect of the new law is likely to be. The Rent Acts, for instance, instead of protecting tenants have resulted in a shortage of rented accommodation. The Employment Protection Act has led many employers to not employ people, working on the principle that if the person proves to be unsuitable it can be difficult and costly to dismiss them.

People who spend our money and pass laws to hopefully benefit us should think further than the immediate costs and effects.

R. J. Pearce.
5, Marlborough Road,
Castle Bromwich, Birmingham.

Today's Events

GENERAL

UK: Sir Patrick Nairne, Permanent Secretary, Department of Health and Social Security, speaks at conference of Institute of Health and Service Administrators, Norwich.

Conference of Associated Society of Locomotive Engineers and Firemen (Aslef) continues, London.

Mr Roy Hattersley, Shadow spokesman for Home Affairs, addresses Labour Party meeting. Frazer Hall, Norwich.

PARLIAMENTARY BUSINESS

House of Commons: Motions on Members' salaries and allowances.

House of Lords: Industrial Diseases (Notification) Bill, second reading. Horserace Betting Levy Bill, second reading. Disabled Persons (No. 2) Bill, second reading.

OFFICIAL STATISTICS

Housing starts and completions (April).

COMPANY MEETINGS

Aberthaw and Bristol Channel Cement, Angel Hotel, Cardiff, 12.30. Burmah Oil, Central Hotel, Gordon Street, Glasgow, 11.30. Dares Estates, Albany Hotel, Smallbrook, Queensway, Birmingham, 12. Erith and Co., Institute of Chartered Accountants, Moorgate Place, EC, 12. Haden Carrier, 7-12 Tavistock Square, WC, 3. House of Lerose, Metropole Hotel, National Exhibition Centre, Birmingham, 12. Laporte Industries, 20 Aldermanbury, EC, 12. Lead Industries, 14 Gresham Street, EC, 12. Liberty and Co., 210-220 Regent Street, W, 12. Lyle Shipping, Trades House, Glassford Street, Glasgow, 12. Mettoy, Winchester House, 100 Old Broad Street, EC, 12. Montagu Boston Investment Trust, 117 Old Broad Street, EC, 12. North British Canadian Investment, 29 Charlotte Square, Edinburgh, 10.45. Pearson Longman, Millbank Tower, Millbank, SW, 11.30. S. Pearson, Millbank Tower, Millbank, 12. Rotaprint, Rotaprint House, Honeypot Lane, NW, 10. Rugby Portland Cement, Crown House, Rugby, 12. Scottish Television, Cowcaddens, Glasgow, 12. Stewart Wrightson, 14-20 St. Mary Axe, 12. Travis and Arnold, Saxon Inn, Silver Street, Northampton, 12. Watts Blake Bearne, Manor House Hotel, Moretonhampstead, Devon, 12.

UK COMPANY NEWS

Difficult trading leaves BP net income £110m lower in first quarter

NET INCOME of the British Petroleum Company fell by £110m to £395m for the first quarter of 1981, and on a current cost basis it is reduced to £10m, against £150m.

Historical net income for the whole of 1980 was down from £1.62bn to £1.43bn, but the dividend was increased from 17.5p to 20.25p, per share.

Sales and operating revenue increased to £6.77bn (£6.49bn) for the three months and the pre-tax figure was virtually unchanged at £1.35bn (£1.34bn). Higher tax of £787m (£696m) and minority interests, £166m against £142m, left the net income result well behind.

During the quarter group oil production activities continued to perform strongly, directors say, despite higher Government take in the UK and in the U.S., which was nearly £500m more than a year ago.

The group faced difficult oil and chemical trading conditions in the UK and continental Europe and the weakness of prices in these depressed markets underlies the deterioration in net income outside North America. The contribution of Sohio to the group's net income was £175m, compared with £135m last time.

On the current cost basis the first quarter's net income reflected an inability to recover the group's replacement cost of oil and chemicals in major European markets. The current cost net income, however, exaggerates the consequences at a time when trade and stocks are falling. BP's share of the net income of Sohio restated on the current cost basis was £102m (£77m).

During April and May demand in Europe has continued to be weak and oil prices have remained insufficient to recover replacement costs; the group has reduced its market share in some countries.

The production cuts, announced at the end of May by most OPEC countries, are not expected to influence the presently depressed market until Saudi Arabia also reduces its production, and the differential between its prices and those of other producers.

Trading conditions for European chemicals have also remained difficult, the directors state.

The group's share of production from the North Sea was 544,000 barrels per day, marginally lower than the corresponding period of last year.

Despite an increase in crude oil prices income from UK production was virtually unchanged, mainly because total Government take rose, following the introduction of supplementary petroleum duty which took effect at the beginning of the quarter and which is included in operating costs.

Sohio's share of net Alaskan production averaged 700,000 barrels per day, compared with 706,000. The benefit of higher crude values was largely offset by increased taxes, including the full impact on operating costs of windfall profit tax, introduced in March last year.

Supplies of crude oil were in substantial surplus during the quarter, largely as a result of the high production level maintained by Saudi Arabia in the face of continued low levels of demand.

Upgrading capacity in Europe and the UK was fully employed, but pressure to purchase more competitive products meant that the distillation plant was under-utilised.

The reference price per barrel for Forties crude oil increased by $3 to $39.25 on January 1, but in a progressively weakening market spot cargoes were traded at a discount of up to $2. Since end of March this discount has widened to over $5 and North Sea oil is plainly overpriced, the directors state. A similar weakness in inland market realisations results in an effective marginal tax rate of over 100 per cent on Forties oil.

While the prices of crudes available to the group were increased at the beginning of the quarter, Saudi Arabian crude, to which the group does not have direct access, remained at $32 per barrel. The significant strengthening of the U.S. dollar further increased crude oil costs in Europe and added to the pressure on margins, which were generally insufficient to cover replacement costs.

The group is reviewing its oil trading activities and the planned level of capital investment. Trade is being shed in cases where there is no prospect of making a positive contribution.

Chemicals sales volumes in the first three months remained at the depressed level of the fourth quarter of 1980, the directors explain.

Throughout Europe low utilisation of industry plant has maintained a competitive pressure on prices, and contributions to fixed costs remain well below the level necessary for profitable trading.

The operating loss for the group, excluding Sohio, was £38m for the first quarter. Of this, £34m arose in the UK, a reflection of the concentration of the group's physical operations and the effect on exports of the maintained strength of sterling relative to European currencies.

In response to this trading position, urgent action is continuing to reduce the fixed cost burden and to increase the efficiency of operations.

Group operating surplus for the period was little changed at £1.47bn compared with £1.45bn, and after petroleum revenue tax and production taxes of £567m (£405m), the balance of £906m (£1.05bn) was split by activity as to: exploration and production £675m (£645m); oil trading £255m (£367m); chemicals £32m loss (£27m profit); minerals £1m (nil); coal (£1m (£3m); other £6m (£6m).

A geographical analysis includes £182m (£322m) from the UK, and £607m (£495m) from North and South America.

Historical earnings per 25p share are given as 24.8p (32.6p) and 0.6p (9.7p) on a current cost basis.

Capital expenditure, mainly for exploration and production in the UK and North America, was £534m. A significant proportion of future expenditure is likely to be taken up by a few major projects with long construction periods, directors state.

The group does not normally use specific project financing for these developments but, in order to match expenses and income and to record assets at their full cost, the directors are considering extending the present accounting policy toward capitalising an interest charge on the cost of all major long term projects during their construction periods.

The application of this extension to present accounting policy is dependent on the final form of the references to capitalising interest in the Acts of Parliament resulting from the 1981 Companies and Finance Bills. The change of policy envisaged would not have a material effect on the results for the first quarter of this year, for the year 1981 nor for the prior year, it is stated.

On May 21 production commenced from the Buchan Field (BP interest 51.4 per cent) in the UK North Sea. Sohio yesterday completed the acquisition of the Kennecott Corporation, the leading U.S. copper producer, for almost $1.8bn in cash.

Sohio has also reached a definitive agreement with the United States Steel Corporation for the cash purchase of coal properties for $700m.

	First quarter 1981 £m	1980 £m
Sales, operating revenue	6,772	6,488
Customs duties, sales taxes	1,058	1,178
Net sales, operating revenue	5,714	5,310
Other income	179	137
Revenues	5,893	5,447
Operating costs	4,420	3,994
Operating balance	1,473	1,453
Interest	125	110
Income before tax	1,348	1,343
Tax	787	696
Minority interest	166	142
Net income	395	505

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HIGHLIGHTS

Lex considers further the fall of sterling on the foreign exchange markets, the rise of short-term interest rates and collapse of long gilt-edged prices and discusses the options open to the Government before moving on to the company news of the day. Taking out stock profits and the contribution from Sohio leaves red ink at **BP** because of the downturn at its downstream activties: divisions that will be "rationalised." **Beecham** produces some pleasing figures with profits up from £137m to £150m even after adverse currency items. Finally the column looks at **Eagle Star's** advice to shareholders not to accept the tender offer from Allianz. Other news of the day includes a £5.2m rights issue from **Flight Refuelling** to fund a drive into the U.S. with an acquisition of Stanley Aviation, and an extension of the **THF** bid for **Savoy**.

SPAIN

June 4	Price %	+ or −
Banco Bilbao	312	
Banco Central	370	+4
Banco Exterior	297	
Banco Hispano	292	+2
Banco Ind. Cat.	123	
Banco Santander	348	+1
Banco Urquijo	192	+4
Banco Vizcaya	329	
Banco Zaragoza	237	
Dragados	189	+4
Espanola Zinc	82	
Fecsa	69.5	+0.3
Gal. Preciados	46	
Hidrola	76.5	+1.8
Iberduero	62.5	+0.8
Petroleos	120.5	−0.5
Petroliber	95	−1
Sogefisa	69	
Telefonica	69	+0.5
Union Elect.	71	+1.6

Electronic Rentals up by £2.5m

PRE-TAX profit of Electronic Rentals Group advanced from £12.22m to £14.74m in the year to the end of March 1981, on turnover of £181.57m compared with £172.37m.

At the half year this rental group which includes Visionhire made taxable profits of £7.42m (£5.53m)

The final dividend is maintained at 3.143p per 25p share making an unchanged total of 4.3097p.

A divisional analysis of turnover and profit before interest and exceptional items shows (in £000's): UK rental £118,936 £24,364 (£23,987); overseas rental £24,040 (£18,147) and £3,783 (£2,725); retail £7,804 (£8,096) and £179 (£582); camping and leisure £29,949 (£33,209) and £781 loss (profit (£508); property £101 (£142) and £647 (£1,112); miscellaneous £741 (£595) and £277 loss (loss £300); holding company nil (nil) and £28 (£26).

The pre-tax profit was struck after depreciation of £46.2m (£43.61m), interest of £13.12m (£12.69m) and exceptional items of £78,000 (£3.73m). The latter represent integration and rationalisation costs associated with the acquisition in Australia and South Africa of television rental assets from Rentacolor.

Tax took £4.41m (£3.22m) consisting of £3.25m (£3.15m) advance corporation tax not immediately recoverable, overseas tax of £160,000 (£76,000) and a deferred tax provision of £1m (nil).

There was a provision for future disposal or closure loss of £3m (nil) expected to arise in 1981/82 on Europleasure and Dudes (UK). Extraordinary items of £199,000 (£36,000) related in part to factory closure costs of £129,000 (nil) and professional fees on the group's property revaluation at March 31, 1980 of £60,000 (nil).

Foreign currency translation adjustments of £1.27m (£584,000) and business goodwill acquired during the year of £2.94m (£2.04m) have been taken direct to realised reserves.

Earnings per share are stated at 5.6p (7.2p). The net cash flow was £56.94m (£52.34m) and 32.6p (30.4p) per share. Current cost adjustments reduce pre-tax profit by £1.6m.

● comment

Last year, Electronic Rentals' pre-tax figure was depressed by the exceptional costs involved in digesting British Relay; their non-recurrence is sufficient to produce the appearance of a healthy 21 per cent improvement this time. In fact, the TV rental business has demonstrated its stability, with only a minimal decline in pre-interest profits. But the absence of real growth shows through in the depreciation charge, up by only 5.9 per cent. Television has been static: the acceleration in the UK video market, lagging a similar pattern in West Germany, is more encouraging. Although borrowings have not been disclosed, they are certainly declining, as the average age of the rental stock is allowed to drift gently upwards. In the current year, that should mean a markedly lower interest charge. The decision to write off Dude and Europleasure which is provided for below the line in these accounts, must also have a favourable impact. The same may soon turn out to be true of the Swaziland monopoly in TV rental and broadcasting, now being negotiated. Yesterday's price of 113p (up 1p) rates the shares highly, on an historic fully-taxed multiple of 27, and a modest yield of 5.6 per cent. A sanguine view of the VCR market and of the loss-elimination picture may justify that.

Beecham advances £14m and increases payout

DESPITE a leap in interest charges from £19m to £10.4m, pre-tax profit of Beecham Group advanced from £136.8m to £150.6m in the year to the end of March 1981. Sales were up from £1.03bn to £1.19bn.

At the half-year stage this group, engaged in thhe manufacture and sale of pharmaceuticals and animal and consumer products, made profits before tax of £67m (£59.9m) on turnover of £587.6m (£479.1m).

The directors are recommending an increased final dividend of 3.57p (3.245p) per 25p share making a total for the year of 6.666p (6.125p). This absorbs £43.5m (£39.8m).

For the first time the results of the Bovril group of food products companies—which was acquired with effect from April 1 1980—are included. This and other minor acquisitions increased sales by £56.7m but reduced profit after financing costs by £0.6m.

The trading results also include a full year's results for Jovan Inc., a fragrance business, which was acquired with effect from September 28 1979.

Movements on exchange rates reduced overseas subsidiary sales by £58.6m and profit before tax by £7m.

A net exchange loss of £9.2m (£11.5m) relating to the net tangible assets of subsidiaries and associates and to long-term liabilities has been charged direct to reserves and £2.1m (£1.3m) relating to premiums on shares issued has been credited direct to reserves.

Profit before tax includes £4.6m (£3.8m) from associates. Tax took £61.9m (£55.5m), and after minorities of £0.5m (£0.7m) the attributable profit emerged at £88.2m (£80.6m). The earnings per share are stated at 13.55p (12.4p) on a net basis, and at 15.81p (14.33p) on a nil dividend basis.

After current cost adjustments the profit before tax came out at £118.7m (£105.8m).

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Airflow Streamlines	nil	—	1.67	0.1	2.32*
Beecham	3.57p	Aug. 21	3.245	6.67	6.13
Century Oils	2.0	Aug. 8	1.85*	2.8	2.25*
Culter Guard	nil	—	0.5	nil	0.5
Electronic Rentals	3.14	July 31	3.14	4.31	4.31
Guthrie	21	July 10	21	30	30
Hickson & Welch ...int.	2.5	Aug. 28	2.5	—	7.5
Keystone Inv. ...int.	4	July 8	3.25	—	10.5
Leigh Interests	3.8	—	3.37	5.63	5.0
Northern Foods ...int.	1.8	Aug. 28	1.6*	—	4.4*
J. Smart & Co. ...int.	1	July 13	0.86	—‡	3.16
Tanjong Tin ...sec. int.	2	Aug. 10	2.5	—	5.75
Utd. Electronic	1	July 31	—	1.57	—
Whittington Eng.	2.1	—	2.1	3.5	3.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Final 2.6p expected.

Leigh Interests static and expects first-half downturn

AFTER RISING from £440,000 to £610,000 at the halfway stage, pre-tax profits of Leigh Interests finished only marginally ahead in the full year to March 31 last at £1.15m against £1.1m. The second-half surplus slipped from £662,000 to £540,000.

Mrs Joan Agar, chairman, says the buoyant start made in the first half of 1980/81 is not in evidence this year and profits at mid year could well be lower.

A final of 3.8p lifts the net total dividend for the year to 5.63p (5p), as forecast, absorbing £450,000 (£389,000).

Earnings are shown up 1p to 11.6p after tax of £259,000 (£300,000).

The pre-tax profit was struck after associate companies' losses of £198,000 (same) and there was an extraordinary credit of £44,000 (nil).

The recession really bit in the second half and is still affecting main trading activities says Mrs Agar.

However, despite the significant downturn in industrial activity since October, the environmental division slightly increased sales through its existing business during the year. Its sales were up 17 per cent, including those of acquisitions made during the year.

Group turnover was slightly down at £21.16m (£21.2m) because of a drop in builders' merchants division sales of £2.27m. However, the losses incurred by this division in 1979-80 were stopped, and a modest profit made in the UK, in addition to profits made from new business overseas, says the chairman.

● comment

Profits of Leigh Interests are in line with the estimate made in April at the time of the Derby acquisition but the gloomy statement is an unpleasant surprise. The waste treatment and disposal operations again provided almost all of the profit but growth was stunted by the recession in industry. Moreover, no upturn can yet be seen in the Midlands where Leigh's activities are concentrated. The shares stand on a fancy rating—about 28 times historic diluted, fully taxed profits—partly on hopes for the fuel-from-waste project and partly on the promise of the Sealosafe toxic waste disposal system. But the recipe for the fuel has proved difficult to perfect and the Stablex joint venture with Tunnel may not get out of loss for at least another year. In the past two years, Leigh has spent more than four times its attributable profits on fixed assets, almost entirely on acquisitions. Investors could well begin to wonder when they will see the pay off on this expensive dash for growth. The yield is under 5 per cent at 173p.

Morgan Crucible profits dive

PRE-TAX PROFIT of the Morgan Crucible Company slumped to £519,000 from £3.28m after finance charges of £822,000 against £808,000 in the first quarter to March 29, 1981. Group sales to third parties were down by £3.34m to £29.13m.

Trading profit fell from £4.08m to £1.34m. Tax took £286,000 (£1.14m) and minority interests and preference dividends £78,000 (£140,000), leaving attributable profit of £155,000 (£1.99m).

Earnings per 25p share were 0.4p compared with 4.8p, and profit before tax per share, 0.9p (7.5p). The trading margin was down from 12.6 per cent to 4.6 per cent.

In April the company reported a slight improvement in orders for UK factories. This trend has continued and the Board believes that the UK recession has passed its lowest point.

Although it is not yet possible to discern prospects for the year, it feels quarterly profit figures should progressively improve.

Mr. Ian Weston Smith, the chairman, says: "A wary eye must be kept on markets of Continental and Eastern Europe, but so far, the overseas companies are faring well."

● comment

Morgan Crucible is off to a very weak start; profits in the first quarter are less than half those in the previous quarter and 84 per cent down on those in the first quarter of last year. UK markets for the company's industrial materials have continued to deteriorate although foreign markets, particularly Australia, remain resilient. The slight rise in the Acorn division compared to the fourth quarter of last year reflects a long-awaited improvement at Rowney plus a useful contribution from the Franklin acquisition in the U.S. The chairman is confident that profits will improve as the year progresses but there is still some rationalisation to come and another year of lower profits looks likely. At 128p, down 2p yesterday, the yield is 8.4 per cent.

£1.36m loss at Culter Guard

IN THE year to the end of March 1981, Culter Guard Bridge Holdings slumped from a pre-tax profit of £337,000 to a loss of £1.36m, on turnover down from £24.85m to £23.59m.

At the half-year stage this paper manufacturer and converter, made a pre-tax loss of £978,000 (£228,000 profit) on turnover of £11.48m (£11.75m).

The directors have decided to declare no dividend; last year 0.5p per 25p share was paid.

They say the results have been overshadowed by high trading losses incurred by the paper mill at Culter which, as already announced, led to its closure in February.

Fine paper making was generally unprofitable because of the recession. The combination of depressed selling and high energy costs adversely affected most products, they say, but was particularly severe on coated papers of the type made at Culter.

The capacity at the paper mill at Guard Bridge is being increased to enable the company to retain part of the business previously supplied from Culter. This rationalisation will result in a more cost-effective operation, they say.

The trading loss of continuing operations was £347,000 (£645,000 profit) and on discontinued operations it amounted to £696,000 (£19,000 profit). Interest charges came out at £316,000 (£327,000) and there was a tax credit of £1.69m (£100,000 charge).

After extraordinary debits of £2.11m (nil) there was a retained loss of £1.78m (£200,000 profit). The extraordinary items include the write-down of Culter's fixed assets of £297,000—after adjusting for the 1978 revaluation surplus—redundancy costs net of clawback of £1.2m, and other associated closure costs and provisions.

The earnings per share are stated at 4.49p (3.17p) after the exceptional tax credit, but at a loss of 12.49p (1.74p earnings) before it.

Dividend held as Whittington profit falls

Taxable profit of Whittington Engineering Company, manufacturer of colliery equipment, was down from £184,162 to £126,607 for the year ended March 31 1981, having been £24,312 against £73,041 at half-time. Turnover was up slightly at £1.41m compared with £1.38m.

The final dividend will be held at 2.1p, making a total of 3.5p (same). Earnings per 25p share were stated at 8.37p (10.03p).

1980-81 High	Low	Company	Last price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
76	39	Airsprung	71	—	4.7	6.6	11.3	15.6
52	21	Armitage and Rhodes	48	−1	1.4	2.9	19.8	45.7
200	92½	Bardon Hill	200	—	9.7	4.9	7.5	12.8
104	88	Deborah Services	104	—	5.5	5.3	6.1	9.8
126	88	Frank Horsell	104	—	6.4	6.2	3.3	6.0
110	39	Frederick Parker	80	—	1.7	2.8	26.1	—
110	64	George Blair	64	—	3.1	4.8	—	—
110	59	Jackson Group	106	—	6.9	6.5	4.0	8.2
128	103	James Burrough	129	—	7.9	6.1	10.6	10.8
334	244	Robert Jenkins	317	−1	31.3	9.9	—	—
55	50	Scruttons "A"	55	—	5.3	9.6	4.0	4.0
224	202	Torday	202	—	15.1	7.5	7.8	13.4
23	8	Twinlock Ord.	15	—	—	—	—	—
90	68	Twinlock 15% ULS	78	+1	15.0	19.2	—	—
56	35	Unilock Holdings	42	−1	3.0	7.1	6.5	10.2
103	81	Walter Alexander	101	—	5.7	5.6	5.6	8.8
263	181	W. S. Yeates	255	—	13.1	5.1	4.8	8.8

CORAL INDEX

Close: 552-557 (+6)

OIL INDEX

July Refined $39.90
October Refined $41.00

ERA completes sales of uranium from Ranger

BY GEORGE MILLING-STANLEY

WITH THE signing of a contract yesterday for the export of 1,429 tonnes of uranium oxide to Synatom of Belgium, Energy Resources of Australia (ERA) has now concluded sales deals for almost all the capacity of its Ranger mine in Australia's Northern Territory.

ERA did not disclose the terms of the deal, which is understood ot have a life of 10 years, but with uranium currently selling at around US$30 a pound, the contract should be worth something like A$90m (£50m).

The company, in which Peko-Wallsend and EZ Industries each have a 30.5 per cent stake, with the remainder in the hands of the Australian public and several foreign customers, has received Federal Government approval for the sale, reports our Sydney correspondent.

The customer, Synatom, is a privately owned company responsible for buying nuclear fuels for electricity generation in Belgium.

ERA said yesterday that the latest contract brings the amount of Rangers' initial designed production capacity already sold to 3,000 tonnes a year over the next 10 years. The company plans to lift annual capacity to 6,000 tonnes in future.

The contract is ERA's first sale since January, when the Swedish utility Oskarshamnsverkets Kraftgrupp (OKG) agreed to buy 3,150 tonnes in a deal worth an estimated A$200m.

OKG also took up the last portion of ERA's equity available for overseas customers.

ERA already has export contracts with Japan, West Germany, Korea and the U.S., with the first two of these taking the bulk of production.

The company's ability to make sales from early production at Ranger is limited by the Government's decision to take 900 tonnes over the first three years of the mine's life for stockpiling.

The Belgian contract is believed to contain a price escalation clause to cover fluctuations in world market prices. The prospectus for last October's flotation suggested that delivery prices would be fixed for the first year of each contract, and subject to escalation thereafter.

Pinson getting in its stride

THE Canadian-owned Pinson open-cast gold mine in northern Nevada, which began production early this year, is expected to produce 47,000 ounces of gold per year, equal to about 5 per cent of the total U.S. output of the precious metal.

Holders of the C$22m (£8.9m) Pinson are Rayrock Resources (26.5 per cent), United Siscoe Mines (26.25 per cent), Lacana Mining (26.25 per cent) with the remainder being held by geological and engineering personnel associated with the project.

The Pinson treatment plant has a capacity of 1,000 short tons of ore per day and at a gold price of U.S.$500 per oz the mine's capital cost is expected to be recouped within 18 months, leaving an additional $2m available to finance a heap-leach plant for the treatment of lower grade material.

Open-cast ore reserves of 3.3m tons average 0.12 oz (3.73 grammes) gold per ton, sufficient for 10 years' working. There is also 5m tons of 0.025 oz material which is said to be amenable to low-cost heap-leaching and, at the Preble deposit some 12 miles away, there is a deposit of 1.3m tons grading 0.08 oz per ton.

It is reckoned that annual gold production will rise to 50,000 oz in 1982 when the leach plant is in operation.

United Ceramic coming to USM with 415,000 placing

UNITED Ceramic Distributors, a distributor of ceramic tiles and kitchen furniture, is coming to the Stock Exchange's Unlisted Securities Market by way of a placing of 415,617 existing shares, 17 per cent of the 2.4m in issue, at 80p a share.

The business has been built up over 15 years by Mr P. S. Battin who, with his family and their trusts, retains a 66 per cent stake in it.

Profits before tax in the past five years have grown at a compound growth rate of 39.5 per cent to £324,000 in 1980 on turnover of £4.2m. Earnings per share on a 52 per cent tax charge grew from 1.7p in 1976 to 6.4p last year.

Net tangible assets at the end of 1980 were £1m or 41.3p a share. Borrowings at May 15, 1981 amounted to £377,000.

No dividends have been paid to date, but the directors expect to pay a 1p interim dividend in December 1981 and a 2.5p final next May. The proposed interim dividend is lower than normal because the group was not public for most of the first half.

The directors say the current year has begun well and they are optimistic that the group will continue to thrive this year despite the unfavourable economic climate. Thereafter, they foresee excellent prospects for growth.

The group's policy is to further develop its distribution network from its Midlands base to attain wider national coverage and to extend its lines. Sales of tiles amounted to £3.6m last year, while kitchen furniture sales were £380,000.

The placing has been made by Antony Gibbs and brokers to the placing are Smith, Keen, Cutler.

● comment

After the recent spate of very highly rated computer companies, it is pleasant to see a more familiar business coming to the USM on a relatively modest earnings multiple. At the placing price, the fully taxed historic p/e on United Ceramic Distributers is 12.5 and the yield on the notional 4.2p dividend in respect of 1980 is a helpful 7.5 per cent. Mr Battin is bringing his company public partly for tax reasons but is retaining a strong hold on both the ownership and the management. His record is a good one and the shares should be well received.

LONDON TRADED OPTIONS

June 4 Total Contracts 1327; Calls 1112, Puts 215

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	360	28	10	42	—	60	—	376p
BP (c)	390	12	35	26	4	42	—	"
BP (c)	420	5	11	16	3	30	—	"
BP (p)	360	13	118	23	2	60	—	"
BP (p)	390	28	12	35	6	42	—	"
BP (p)	420	48	20	16	—	30	—	"
Com. U'n (c)	140	31	—	36	3	40	—	171p
Com. U'n (c)	160	17	13	20	30	25	—	"
Com. U'n (c)	180	5	56	12	75	16	—	"
Cons. Gld (c)	550	12	—	25	10	40	—	501p
Court'lds (c)	60	11	—	15	6	18	—	69p
Court'lds (c)	70	4	—	9	5	12	1	"
Court'lds (c)	80	1	—	4	—	6½	1	"
GEC (c)	600	107	1	122	—	—	—	695p
GEC (c)	650	62	5	83	—	108	—	"
GEC (c)	700	25	78	52	3	75	—	"
Gr'd Met. (c)	180	28	108	31	21	39	—	203p
Gr'd Met. (c)	200	12	16	20	—	27	1	"
Gr'd Met. (c)	220	3	25	10½	—	19	—	"
ICI (c)	260	38	—	51	10	—	—	290p
ICI (c)	280	22	49	34	5	41	10	"
ICI (c)	300	11	14	22	15	31	1	"
ICI (c)	330	3	27	10	—	20	10	"
Mks & Sp (c)	130	6	31	14	—	19½	—	128p
Shell (c)	330	42	15	50	—	—	—	360p
Shell (c)	360	20	—	30	52	40	—	"
Shell (c)	390	10	—	17	4	28	—	"
Shell (c)	420	4	—	10	7	18	—	"
		August		November		February		
Barclays (c)	420	20	47	25	12	38	—	406p
Imperial (c)	80	3	—	4	50	6	1	72p
Lasmo (c)	550	45	—	70	5	90	—	549p
Lasmo (c)	600	25	2	47	—	70	—	"
Lonrho (c)	90	8	50	11½	2	15	—	92p
Lonrho (c)	100	3½	81	6½	—	9½	25	"
Lonrho (c)	110	1½	11	4½	—	—	—	"
Lonrho (p)	90	4	35	5½	—	8	—	"
Lonrho (p)	100	9	6	11	—	15	—	"
P & O (c)	160	3	32	6	—	—	—	134p
Racal (c)	330	45	5	62	1	—	—	370p
Racal (c)	360	27	13	42	—	55	—	"
Racal (c)	390	13	26	27	2	39	—	"
Racal (p)	360	14	5	21	—	24	—	"
Racal (p)	390	31	1	35	10	37	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$475	—	—	11	41 A	2	63	$463
GOLD C	$500	10	14	25	26	10	44	"
GOLD C	$525	15	5	24	20	—	—	"
GOLD C	$550	2	5	30	12	—	—	"
GOLD P	$475	13	22	5	27	—	—	"
GOLD P	$525	60	60	—	—	—	—	"
GOLD P	$550	—	—	1	86	—	—	"
		June		Sept.		Dec.		
GM C	$50	15	7	—	—	16	3½	$56⅝
GM C	$60	—	—	—	—	—	—	"
		July		Oct.		Jan.		
AKZO C	F.17.50	45	7.20	18	7.90 A	—	—	F.24.30
AKZO C	F.20	319	4.80	512	5.60	—	—	"
AKZO C	F.22.50	382	2.70	299	3.70	—	—	"
AKZO C	F.25	181	1	304	2.60 A	226	3.40	"
AKZO P	F.25	35	1.20	115	1.40	—	—	"
AMRO C	F.55	20	0.80	—	—	—	—	F.50.90
AMRO C	F.60	—	—	32	1	—	—	"
HEIN C	F.55	16	1.20	—	—	—	—	F.51.10
HEIN C	F.60	—	—	30	1.70	—	—	"
HEIN P	F.50	20	1.30	—	—	—	—	"
KLM C	F.100	21	43	67	44	—	—	F.142
KLM C	F.110	33	33.80	20	34	—	—	"
KLM C	F.120	215	25	15	31	—	—	"
KLM C	F.130	338	18.50	—	—	—	—	"
KLM C	F.140	248	10.80	73	17.40	—	—	"
KLM P	F.100	—	—	24	2.10	—	—	"
KLM P	F.110	157	1	—	—	—	—	"
KLM P	F.120	201	2	—	—	—	—	"
KLM P	F.130	135	4.70	12	9.50	—	—	"
KLM P	F.140	30	8 B	—	—	—	—	"
NATN C	F.110	16	2.80	30	6.60	—	—	F.109
NATN C	F.115	12	1.50	—	—	—	—	"
NATN C	F.120	—	—	18	2.80	—	—	"
PHIL C	F.17.50	20	7.60	90	7.40	—	—	F.24.60
PHIL C	F.20	980	4.60	480	5.30	107	5.90	"
PHIL C	F.22.50	1459	2.40	1014	3.20	234	4	"
PHIL C	F.25	1169	1A	733	1.90	1861	2.80	"
PHIL P	F.22.50	—	—	831	0.40	20	0.70B	"
PHIL P	F.25	33	1	95	1.40	72	1.80B	"
POLA C	$25	20	5⅛	—	—	—	—	$29⅛
RD C	F.80	25	6.50	74	4.20	—	—	F.84.10
RD C	F.90	108	3A	—	—	—	—	"
RD C	F.95	24	0.90	28	2	—	—	"
RD C	F.100	23	0.50	20	1	—	—	"
RD C	F.110	—	—	—	—	—	—	"
RD P	F.80	143	1.80	—	—	—	—	"
RD P	F.90	107	6.90	—	—	—	—	"
RD P	F.95	202	10.90B	—	—	20	18	"
RD P	F.100	15	16.60	—	—	100	7	F.145.20
UNIL C	F.150	—	—	—	—	—	—	
		Aug.		Nov.		Feb.		
BOSI C	$35	—	—	18	2	—	—	$31⅛
BASF C	DM.130	20	5	—	—	—	—	DM135.40
SLUM C	$110	20	1¾	—	—	—	—	$96⅛

TOTAL VOLUME IN CONTRACTS 14142

A=Asked B=Bid C=Call P=Put

Clark, Son & Morland losses rise

LOSSES BEFORE tax of Clark, Son and Morland, unquoted manufacturer of sheepskin products, deepened to £1.45m in the year to February 28 1981, against £346,000 last time. Turnover fell from £21.08m to £17.74m.

On a CCA basis, the loss is £999,000.

Mr J. P. G. Morland, chairman and managing director, says the current reorganisation, which involves reducing the size of the company to match the market, is resulting in substantial costs.

There were tax credits of £705,000 (£181,000), and extraordinary debits of £1.25m (£303,000). The dividend is omitted.

Mr. Morland says the closure of plants will enable the group to sell further property. This will improve the cash flow and reduce fixed expenses for the future. But he warns that the reorganisation will not result in immediate satisfactory profits.

BULA OFFER OVERSUBSCRIBED

The Allied Irish Investment Bank announced yesterday that its I£12m (£9.2m) offer of shares in Bula Resources has been oversubscribed 6.6 times. The offer of 24m shares at 50p (Irish) each attracted applications for 79.3m shares in respect of the 12m available half of the 24m offer had already been taken up.

The basis for allotment was that application for up to 149,000 shares were allotted by ballot. Application in excess of 149,000 shares was satisfied to the extent of 1/6 of the shares applied for.

Allotment letters will be posted this morning.

SUNDERLAND TENDER

The offer for sale by tender by Sunderland and South Shields Water Company of £5.5m in 8 per cent redeemable preference stock, 1987, has flopped, attracting applications for only £108,000 of stock. The underwriters have taken up the balance. Dealings will begin on June 5.

LAING PROPS.

The rights issue by Laing Properties of £20m in convertible loan stock has been taken up as to 90.5 per cent.

Guthrie Corporation

Chairman's Statement by Mr. Mark Gent, OBE

Preliminary results for year to 31 December 1980	1980 £000	1979 £000
Operating Profit–		
South East Asia	21,680	25,940
North America	5,568	5,883
Europe	(220)	295
Australia	660	421
Africa	1,566	278
	29,254	32,817
Interest	5,240	5,313
Profit before taxation	24,014	27,504
Assets attributable to ordinary shareholders	201,008	207,341
Earnings per ordinary share	27.3p	38.5p

Highlights

1980 was a watershed in the history of the Corporation.

Among the highlights were:–

- The purchase from Dunlop of Angus Fire Armour which, together with the group's existing interests in this field, makes the Corporation one of the world's largest fire protection organisations, with manufacturing activities in all five continents.
- The resolution of the Corporation's major problem in the last decade, with the merger of its Scottish carpet interests into Stoddard Holdings Limited.
- The closure of a number of other loss-making activities in the United Kingdom.
- The decision to strengthen the agronomic profit base by extending plantation operations outside Malaysia, initially in Mindanao in the Philippines and Hainan in the People's Republic of China.
- The sale by Sime Darby of their entire holding in the equity of Guthrie, ending two years of uncertainty.

Although the cost of closures and of the transfer of the Scottish carpet assets has been very heavy, the alternative was to continue to carry debilitating losses with a considerable commitment of management time.

Results

Profit before taxation was £24.0 million in 1980, compared with £27.5 million in 1979.

For the second year running, the impact of the strength of sterling at 31 December, the date of translation of profits made in overseas territories, has been dramatic.

Had the pre-tax profits for 1980 been translated at rates ruling at 31 December 1979, they would have been approximately £26 million. In a year of recession in the industrialised world, and with substantial changes in the group's structure taking place, this may be considered to be generally satisfactory.

The Scottish carpet interests which have been merged with Stoddard Holdings, together with those operations terminated during the year or in the early part of 1981, made a loss of £3.0 million. The profit before taxation of £24.0 million is struck after deducting this loss.

Extraordinary losses, relating to the transfer of the Scottish carpet businesses and to the termination of other operations, amounted to £6.0 million.

Dividend

An interim dividend of 9p per share was paid on 1 April 1981.

The Board's recommendation is that the final dividend should be 21p per share, making a total dividend of 30p per share (1979: 30p). Although this would not be fully justified when considered against the results of 1980 alone, it reflects the Board's confidence in the future prospects of the Corporation.

Taxation

The overall taxation charge includes £2.7 million of Advance Corporation Tax. The major changes which have taken place in the industrial and commercial base of the group's UK operations should lead to a progressive diminution in the cost to shareholders of this punitive tax on companies which, like the Corporation, are primarily invested overseas.

Current Cost Accounting

A very high proportion of the Corporation's consolidated assets and profits are located and earned outside the UK. To a significant extent appropriate local indices for cost inflation are not available as a basis for the adjustments required to produce CCA figures. Your Board has concluded that figures based on arbitrary assumptions would not have any real meaning and would be misleading. Moreover there are also circumstances in certain territories where the publication of CCA figures could operate against the interests of shareholders.

In consequence, CCA figures have not been published with the preliminary results for 1980 and will not be included as a supplement to the annual accounts.

Your Board's decision was reached after careful consideration of all the issues involved and after extensive discussions with institutional investors, the Corporation's principal bankers, the Corporation's auditors, Deloitte Haskins & Sells, and other advisers.

Had it been feasible to produce CCA figures, the probable effect would have been a reduction in consolidated profit before taxation but an increase in consolidated shareholders' funds.

Shareholders

Sime Darby's entire shareholding in the Corporation was transferred on 15 December 1980, principally to Permodalan Nasional Berhad (National Equity Corporation), incorporated in Malaysia, which has now become the single largest shareholder with approximately 25% of the issued ordinary shares.

I would like to take this opportunity to thank all shareholders, large and small, who have continued to support the Corporation, particularly in recent years when its independence has been threatened.

Plantations

In the light of a substantial reduction in the price of palm oil in the second half of the year – at one stage it had fallen from a peak of over M$1,000 per tonne to under M$800 per tonne, the lowest level since 1976 – the results for the plantation activities were good.

As has previously been pointed out, the price of palm oil has a considerable impact on profitability in the plantation sector. The average price achieved by Kumpulan Guthrie, well over M$900 per tonne, reflects considerable credit on the marketing organisation.

Total oil palm crops again increased, by more than 10%, with higher mature acreage primarily responsible.

The price of rubber remained stable throughout 1980, but output was somewhat lower as acreages planted to rubber were reduced.

Guthrie Ropel owns 56,800 planted acres, about one-third of the Corporation's total interests in plantation land in Malaysia. In accordance with the policy agreed with the Malaysian Government, 40% of Guthrie Ropel is owned by local investors. Reflecting the rather lower palm oil price achieved in 1980, Guthrie Ropel reported a reduction in profit before taxation from M$28.9 million in 1979 to M$24.6 million in 1980.

During 1980, Guthrie Ropel announced a joint venture with the Negri Sembilan Development Corporation to develop a 5,000 acre rubber estate at Kuala Pilah. Guthrie will be responsible for management of the estate. This is the group's first significant development of new rubber land for some time and reflects confidence in the future of natural rubber.

Although the escalation in the value of estate land in Malaysia has continued, the Board does not consider it desirable or economic to have an annual revaluation, except in circumstances where to do otherwise would be detrimental to shareholders' interests. The values included in the balance sheet are those at 31 December 1979.

My statement last year announced a joint venture in the Philippines, in partnership with the National Development Company of the Philippines, to develop 20,000 acres of oil palms at Agusan in Mindanao. By the end of 1981, just eighteen months later, well over 4,000 acres will have been planted. We are fortunate to enjoy a close and harmonious working relationship with the Government and our partners.

In October 1980 we entered into a joint venture agreement with the Overseas Chinese Enterprise Corporation and Singapore investment interests to develop 20,000 acres of oil palms on Hainan Island. The project is the first of its kind in the People's Republic of China.

The reputation of Guthrie International Plantation Services continues to grow. Its consultancy activities and management services are now in demand around the world, both for plantation development and turnkey processing facilities.

These activities have been extended by the acquisition of a majority stake in Minster Agriculture Limited, whose expertise is in the evaluation and project management of a complete range of agricultural and horticultural developments world-wide. In recent years Minster has built up a considerable reputation for its professional approach to project analysis and management. We are pleased, therefore, to have had the opportunity to broaden the scope of our activities in this sector.

The group, which has experience in fifty territories, now has the ability to advise on and manage a total range of agronomic development projects.

The new developments which are described above, and other projects under investigation, are designed to counterbalance the effect on plantation profits of the progressive programme of Malaysianisation agreed with the Government in Kuala Lumpur. During the period to 1990 the Corporation's participation will be reduced to 60%. The group's strategic policy is, as a minimum, to maintain profits from agronomy, its area of greatest expertise, by extending into other territories and related activities.

Guthrie Berhad

Guthrie Berhad increased profit before taxation from S$10.7 million in 1979 to S$11.1 million in 1980.

Results were affected to some extent by the steady drift away from parity of the Singapore dollar and the Malaysian ringgit, which led to exchange losses, and by higher interest costs.

The company has been undergoing major changes, particularly in Malaysia, as associates not directly managed by Guthrie Berhad replace wholly-owned subsidiaries.

Discussions have begun recently which could materially affect the future development of Guthrie Berhad and its relationship to the Corporation.

United States

The results of the Ajax group were again highly satisfactory.

While the basic business, induction furnaces – in which it is a world leader – held its own, excellent performances by some of the lesser-known subsidiaries contributed substantially. Lectrodryer, which manufactures dessicant dryers, and Control Transformer, a specialist transformer manufacturer, both had a very good year indeed.

The Ajax furnace manufacturing subsidiaries in Canada and the UK also contributed higher profits.

Canada

With the exception of Trench Electric, which continues to improve its reputation and profitability, the second half of the year was very difficult for the Canadian companies.

Highway Trailers, in common with the trailer industry as a whole, experienced a dramatic fall-off in activity.

The auto-parts industry, which represents a substantial part of the sales of Butler Stampings and Butler Polymet, also deteriorated as the year progressed.

Angus Fire Armour

Shareholders have been aware of the Corporation's need for a substantial tranche of UK profits if the worst depredations of unrelieved ACT were to be avoided. However, it has been apparent that existing activities in the UK were not satisfactory for the achievement of such an objective and that an alternative base was necessary.

Guthrie's operations in fire protection overseas – in Africa, the Far East and Australia – manufacturing fire hose and fire extinguishers and selling a range of Angus products, have been successful and expanding.

The Corporation consequently offered to purchase Angus Fire Armour from Dunlop and agreement was reached at the end of November 1980.

The Corporation now owns one of the world's largest fire protection businesses with sales approaching £50 million, having an established range of products in fire engines, fire hose, fire extinguishers, foam and foam equipment and in specialised fixed fire protection equipment for the oil and petro-chemical industries.

Europe

Carpets

In December 1980 an agreement was reached for the Scottish carpet interests of the Corporation – Templeton and Kingsmead – to be merged into the publicly-quoted Stoddard Holdings.

In consequence, Guthrie holds 39.4% of the total increased equity of Stoddard (5.22 million non-voting 'A' ordinary shares) and in addition subscribed in 1981 in cash at par for £1.5 million 7% net second cumulative preference shares.

The background is well-known. The deterioration in market conditions within the industry was severe and threatened the future of many carpet manufacturers.

A joint study was undertaken with Stoddards and it was agreed that a merger of activities would be in the best interests of both groups of employees and shareholders, that it would result in a carpet manufacturer with a strong financial base and excellent management to combat the difficult trading conditions and that it would make a substantial contribution towards stabilisation of the eroding carpet industry.

The net assets of Stoddard Holdings following the merger were £14.7 million, of which £5.8 million was attributable to assets transferred by the Corporation.

Although the period of transfer and rationalisation of assets will reflect the problems of dislocation in a continuing climate of difficult trading conditions, integration has gone well and great credit is due to all concerned. I am confident that an unhappy chapter in the Corporation's recent history has ended and that a new and potentially successful grouping has been achieved.

The Corporation continues to hold 100% of the equity of Kidderminster-based Woodward Grosvenor, a specialist manufacturer of carpets, which would not easily have fitted into the new Stoddard grouping.

The extraordinary loss in the Corporation's accounts, reflecting redundancy and closure costs, has been heavy. I believe that there are few shareholders who will not consider such a one-off cost to be better than the likely continuation of trading losses, with their concomitant effect on ACT, and the diversion of management time which loss-makers inevitably create.

Trading

The UK trading businesses had a mixed year. The integration of Guthrie Booker Merchants International has progressed smoothly and the company had a successful 1980.

By contrast, the textile trading activities suffered from a dramatic decline in demand as the recession devastated the textile industry and we have substantially withdrawn from this business. Losses on termination have been fully provided in the 1980 accounts.

Plastics and Textiles

Following the closure of Ebonite Container and Ratcliffe Brothers, the plastics and textiles operations now comprise a smaller and more compact unit. On the whole it performed satisfactorily in a difficult year.

Australia

Following the outright rejection by the Australian government of the Industries Assistance Commission report, which proposed for the textile industry increased quotas and a reduction in import tariffs, Palm Beach Towel has a more stable commercial basis on which to plan. It has been the mainstay of profitability for the Corporation's Australian activities in recent years and its success in 1980 has improved results overall.

Most other operations performed well, in particular Hose Makers, the group's Australian fire hose manufacturing company, but the world-wide problems of the carpet industry impacted on Tascot Templeton, which was not profitable in 1980.

Africa

The success of the group's interests in Zimbabwe, in its first year of independence, is encouraging. Much of the increase in operating profit in Africa derived from Zimbabwe.

There have been a number of investment opportunities in the country and, where appropriate, they have been taken up. In particular, in July 1980 we acquired 18.3% of the shares of Hunyani Holdings Ltd. This has already proved a rewarding investment.

In the circumstances of an improvement in the Nigerian economy in 1980, following the return to civilian rule, the results for Guthrie (Nigeria) were disappointing.

The changed conditions in the Gulf area, following the Iran-Iraq war, resulted in an agreement for the termination of our joint venture in Dubai.

Staff

Our thanks are again due to our staff for their excellent performance in the difficult economic conditions of 1980.

Future Prospects

Although the economic recession in the UK appears to have flattened, conditions world-wide remain uncertain with the continuation of high interest rates in many countries and exchange rate fluctuations. Against this background the year has begun satisfactorily for the Corporation.

The elimination of loss makers, the merger of our Scottish carpet business with Stoddards and the acquisition of Angus will result in a very substantial turn round in the UK performance. For the first time in many years this region will be a material contributor to the operating profit of the group. Angus has started the year well and we are very pleased with the opportunities available internationally following this acquisition.

In North America the economies of Canada and the United States continue to be depressed, affecting in particular those businesses which are consumer-orientated. However, the two key Guthrie companies in this region – Ajax Magnethermic in the US and Trench Electric in Canada – both operating in the energy-related, high technology sectors of industry, have very substantial forward order books and can be expected to perform particularly well in 1981.

Most of the Corporation's African and Australian interests are also improving on their 1980 performances and can be expected to make a greater contribution this year.

The operating companies, which comprise the Corporation, are likely to have a good year overall, but the inconsistency in exchange rate movements makes predictions about the aggregate sterling value of their profits difficult to evaluate at this stage.

However, unless there is a dramatic change in the economic circumstances affecting the Corporation's key activities, 1981 should show a substantial improvement.

The Annual Report and Accounts will be posted to shareholders on 12 June. The Annual General Meeting will be held in London on 8 July 1981.

The Guthrie Corporation Limited, 120 Fenchurch St., London EC3M 5AA

BIDS AND DEALS

THF battle for Savoy 'has only just begun'

BY REG VAUGHAN

SIR CHARLES FORTE, executive chairman of Trusthouse Forte, said yesterday the battle to acquire the Savoy Hotel group was only just starting, despite minimal acceptances of THF's bitterley contested bid.

After the first closing date of the £67m bid on Wednesday THFs' offer had been accepted by holders of 3.2 per cent of the "A" shares and 0.4 per cent of the high voting "B" shares, together representing around 1.78 per cent of the votes. Including purchases in the market this brings THF's share of the total votes of the Savoy group up to 37.2 per cent.

The offer — which is initially being extended for a week until June 10 but will probably be extended for a further week — was described by Sir Hugh Wontner as a "huge flop."

Sir Hugh, chairman of the company which owns the Savoy Hotel, the Berkeley Claridges and Connaught hotels as well as the Lancaster Hotel in Paris, said THF's bid had been "absolutely defeated."

But Sir Charles Forte said yesterday that he was confident the bid would be successful "in due course." Sir Charles said that if the bid is not successful this time" we shall have to sit back and think. But he added "of course we shall come back" in a years time and if the Savoy makes good profits" the bid will be better."

Sir Charles said THF had picked up all the loose Savoy shares and had acquired a big majority (59.4 per cent) of the group's equity. He said that THF had "quite a bit of support" from both "A" and "B" holders who have not yet accepted and he felt that at the end of the day THF's holding of Savoy votes could reach 40 per cent.

Sir Charles made it clear that THF would "not fade away." This was "just the first round" and if THF ended up with a lot of the equity this is "quite a thing." THF he said was "winning on points if not by a knockout."

Sir Charles said he had "no doubt" the Kuwait Investment Office would continue to support the THF bid with its shares after its 12 month commitment expired. They are "paddling the same canoe," he said.

To be successful in the attempt to acquire the Savoy group THF must acquire some of the holdings of the Savoy directors and associates who control up to 45 per cent of the group's votes.

Sir Charles said: "One must keep in mind the trustees" and he felt that "sooner or later something will peel."

Sir Charles was sceptical about the Savoy's claims to have a buyer for the part of the group's property known as Savoy Court. "Nothing concrete has actually transpired," he said. He also questioned the Savoy's North American acquisition plans which he described as "hot air."

The Savoy "A" shares rose 2p to 189p yesterday with the unquoted "B" shares up ½ to £11. This compares with the cash bid prices of 190p and £11.22½ respectively.

Sir Hugh Wontner said that he was not concerned by talk of extensions or new offers. "Sir Charles is glossing over what is an appalling defeat." He said that the Savoy staff "are absolutely delighted that the bid has failed." The takeover attempt had relled on the support of the Kuwait Investment Office, he said.

First Major U.S. acquisition for Hogg Robinson Grp

BY JOHN MOORE

Hogg Robinson, the insurance broker with large Lloyd's of London underwriting interests, has made its first major acquisition in the U.S. in a deal worth $42.5m.

The deal will give Hogg Robinson a significant locally based insurance presence in 22 U.S. cities.

In a joint venture with Republic Steel Inc., a large U.S. steel producer, Hogg Robinson is buying for $42.5m Penn General Agencies Inc., a broker, and Bankers and Shippers Insurance Company of New York from PennCorp Financial Inc., the third largest life insurance company in the U.S.

Last year Hogg Robinson announced that it had entered into a 50:50 partnership with a subsidiary of Republic Steel with a view to making acquisitions in the U.S. The latest purchase is being done through RHR Inc., a wholly-owned subsidiary of the partnership.

Hogg Robinson North America Inc., part of the Hogg Robinson Group, and Republic Steel Services Group Inc., part of Republic Steel, the two companies through which the partnership has been effected, will each be providing $10.75m for investment in RHR Inc.

This amount, together with bank borrowings in the U.S. of $21m by RHR Inc., will enable it to finance the acquisition.

The bank borrowing gy RHR Inc. is not subject to any guarantee or security by the partnership, the partners or their respective parent companies.

Penn General Agencies, which is understood to be the twelfth largest broker in the U.S., is principally engaged in negotiating, placing and servicing property, casualty, marine, aviation and other insurance as well as individual and group life, accident and health insurance.

The company operates from headquarters in Los Angeles, California, and from 22 other locations throughout the U.S.

In 1980, Penn General's revenues were in excess of $24m, of which $21.8m was brokerage income. Net tangible assets at December 31, 1980, were $10.8m. Pre-tax profits for 1980 were $2.39m, compared with $3.79m.

Bankers and Shippers is based at Burlington, North Carolina, and acts as a casualty insurance company. Its principal business is liability and physical damage insurance of trucks, commercial and private vehicles. It is licensed to underwrite business in every state in the U.S., and is being acquired without past liabilities which are being reinsured by the vendors at their expense.

The average annual pre-tax profit for the five years 1976-80 was $847,000 ($402,000 for 1980), but because of the capital reconstruction "these figures are no real guide to future performance," Hogg Robinson said yesterday.

For Hogg Robinson the acquisition represents the end of a three-year search for a closer involvement with the U.S. insurance market.

● Mr. John Regan Jr., chairman of Marsh and McLennan Companies Inc., the world's largest insurance broker, said in London yesterday that the group was prepared to comply with an orderly operation of the group's broking and Lloyd's underwriting interests, following a recommendation by a House of Commons committee during the passage of the Lloyd's Bill of Parliament.

Eagle Star boosts dividend to fend off Allianz approach

BY ERIC SHORT

Eagle Star Holdings is lifting its dividend this year from 10.5p to 15p and has revalued its asset value on a realistic basis at over 450p per share in its defence against the bid by Allianz Versicherung to buy a further 15 per cent of Eagle's equity.

On Monday Allianz, the largest insurance group in West Germany, obtained 20,415,000 shares in Eagle Star—14·9 per cent of the equity—in a dawn raid on the market, paying 290p per share.

Later in the day it made a tender offer for a further 20,420,000 (15 per cent of the equity) at a maximum price of 290p. Eagle Star immediately advised shareholders not to accept and yesterday sent them a letter explaining why. The main points from this letter are:—

● Allianz had already approached Eagle Star last autumn seeking collaboration by becoming a substantial minority shareholder. Eagle Star terminated the discussions because while Allianz would gain much from the move, there was little advantage to Eagle Star. This view still held. In addition, Allianz as a shareholder could prevent any form of co-operation with other parties in the UK or internationally.

● Following these discussions, Eagle Star had been exploring the possibility of developing working contracts with other parties who were compatible and could provide mutual benefits.

● Eagle Star's balance sheet, in line with normal UK practice, did not show its substantial "hidden reserves." In particular the shareholder's interests in the life business was shown at the nominal value of £100,000, even though in 1980 it contributed £12m to pre-tax profits. A realistic value of assets was in excess of 450p per share.

● Share prices of composite insurance groups had been relatively weak during the past few months, partly due to rights issues made and anticipated. Eagle Star, with a solvency margin of 85 per cent at end-1980 had no need for further capital and there were no plans for a rights issue.

● Profits had grown at the rate of 30 per cent per annum during the past 10 years from £4.7m in 1970 to £65.9m in 1980. In view of the confidence in the group's prospects and the strength of its asset base, the board would be adopting a more progressive dividend policy and intended to recommend a dividend in 1981 of 15p net (21.4p gross) per share against 10.5p net in 1980.

Sir Fred Pontin takes 5% interest of E. J. Riley

SIR FRED PONTIN, former head of the Pontin's holiday camp group, has bought a 5 per cent stake in E. J. Riley, the snooker table manufacturer and snooker club operator.

He is to be invited to join the board in an attempt to expand the leisure activities of the group.

Mr Alan Deal, chairman of Riley, said yesterday that discussions had been taking place with Sir Fred, but no specific expansion plans had yet been laid down.

It was hoped that Sir Fred's wide range of contacts and long experience in the leisure field would be an asset to the company. He added that the appointment was not specifically an attempt to reverse the decline in profitability in Riley last year.

In the financial year to July 31 1980, Riley's pre-tax profits dropped from £803,023 to £605,117, and although the first half of the current year was somewhat better, there was still a decline in overall profits.

The group's furniture interests and retail shops were responsible for the bulk of the drop in earnings, and the contribution from the snooker club chain in fact increased by almost 30 per cent during the first six months.

The same pattern has been shown in the current half-year, Mr Deal said. At the halfway stage, Mr Deal said that with this trend, results for the full year should compare "favourably" with last year's profits.

Government move welcomed by Berisford

THE BOARD of S and W. Berisford said yesterday that it welcomed the Government's announcement on Wednesday that it would accept the group's bid for British Sugar, if the offer was accepted by a majority of other shareholders in the corporation.

Mr Gerald Thorley, chairman of British Sugar, said in a letter earlier this week that "the Government has given no indication of any intention to accept this offer." He added that the corporation still considered the offer by Merisford of 335p in cash or loan stock to be "unwelcome and unacceptable."

Yesterday, British Sugar said that although the letter had to some extent been overtaken by the Government's statement, the corporation still wished to emphasise that the government had no intention of selling its shares to Berisford without prior acceptance by other parties

There was no change in Berisford's holding in British Sugar yesterday and this still stands at 12.38 per cent after the purchase of 350,000 shares on Tuesday at 335p.

REED INTL.

Directors of Reed International have exercised options under share option scheme at 199p per share and shares concerned have been sold at 249p per share. They were: Sir Alex Jarratt 65,251; G. S. G. Witherington 55,212; M. K. Collins 33,127; and Sir Keith Skinner 15,886.

DEWHURST SALE

Spencer Rotherham, a wholly-owned subsidiary of Dewhurst Dent Limited, has exchanged contracts for the sale of Anlaby House, Shoreditch High Street, London, E. for £1m. Of this, £900,000 will be paid on completion on July 2, and £100,000 on January 15, 1982.

Net book value of the property is £792,000, being the March 1976 valuation of £800,000 less £8,000 depreciation.

Spencer Rotherham has also sold its premises at 110a/112 Shoreditch High Street for £50,000. The sale of these assets wil enable the group to reduce its borrowings.

RTZ continues to buy Tunnel

Rio Tinto-Zinc continued to buy Tunnel Holdings' shares in the Stock Market on Wednesday.

At the close of business RTZ held, as an investment, a total of 1,640,000 "B" ordinary shares of Tunnel. This represents about 8.9 per cent of that class and some 6.3 per cent of the votes attributable to the Tunnel ordinary capital.

Flight Refuelling plans £5.5m rights

BY RAY MAUGHAN

Flight Refuelling is proposing to raise £5.15m to fund its first major expansion in the U.S. The group is asking shareholders to subscribe for one new share at a price of 255p for every six already held.

The rights issue is subject to the passing of an ordinary resolution to approve the acquisition of **Stanley Aviation Corporation** at an extraordinary meeting convened for June 22 1981.

Flight announced almost two months ago that it had acquired 28.1 per cent of Stanley, a quoted U.S. aerospace components manufacturer, from certain stockholders and intended to buy the remaining shares for $34 each at a total cost of $10.61m.

The UK aircraft components group has since picked up a further 16 per cent from the widow and daughter of Stanley's founder, who died some three years ago, and has filed its "plan of merger" with the Securities and Exchange Commission.

Flight's balance sheet is, unfortunately, not published until today but, like last year's, it is expected to show nil or minimal debt. The group has also defrayed much of the recent additional currency burden of the U.S. purchase by forward covering but it is anxious to finance the deal with new equity, partly because of the long-term nature of this investment and partly because of high U.S. interest rates. It is also keen "to take advantage of further opportunities as they arise."

Stanley made profits of $1.49m in the year to end-June last year on which it paid tax at the rate of 41 per cent. In the subsequent nine months it produced $1.2m on wh ciawhstipw fl $1.2m on which it was subject to tax of $500,000.

It has been Flight Refuelling's licensor for rigid and flexible pipes in Europe over the last 17 years. Coupling gear accounts for about 95 per cent of its last annual turnover of $6.3m and the chief attraction for the British group is that Stanley sells to almost every leading U.S. aerospace contractor across the military and civil spectrum.

Flight can claim a strong market share in Europe and the rest of the non-American world but its researches show that the U.S. accounts for some 70 per cent of the total aerospace market globally. Its turnover in America in 1979 was just £188,000 against total sales of £15.85m. Like many other European aerospace companies it is waiting with interest for full production of the U.S. Marine Corp's version of the Harrier—the AV-8—for which it supplies fuel systems components and engine water injection equipment to the development project.

Despite its negligible presence in the world's largest market, Flight Refuelling's profits record shows consistent growth from profits of £596,000 in 1975 to *£2.91m pre-tax last year.*

It was founded in 1934 by Sir Alan Cobham, father of the current chairman Michael Cobham. Many of its operations are still just as its name implies, but it has developed a potentially important new market in the field *of advanced sub-sonic aerial* targets, mainly used by the Armed Forces for training purposes.

Since about the mid-Sixties it has entered the electronics market, in which its main products are switching and opto-electronic display devices, while Alan Cobham Engineering produces fluid handling equipment used primarily in the extraction industries.

It believes that both its defence and industrial operations are capable of sustained growth and is backing its confidence with the promise of an effective 47 per cent dividend rise this year to 3.75p per share on the enlarged share capital. The prospective ex-rights yield at 326p, down 1p yesterday, is 1.7 per cent.

The rights issue has been underwritten by Kleinwort, Benson and brokers to the issue are Laurence, Prust.

Guthrie falls £3.5m but expects upturn

AS PREDICTED, profits of the **Guthrie Corporation** fell back in the second half of 1980 and for the year as a whole the pre-tax figure emerged £3.49m lower at £24.01m.

At the half-way stage, when taxable profits were 18 per cent higher at £10.93m (£9.22m), the directors warned that the second six months *would be more* difficult and that the outturn for the full year would be below the previous year's record.

However, the directors point *out that had the pre-tax figure* been translated at exchange rates prevailing at December 31 1979, the surplus would have been about £26m.

They also explain that the Scottish carpet interests, which have been merged with Stoddard Holdings, together with those operations terminated during the year or in the early part of 1981, made a loss of £3m and the pre-tax surplus was struck after deducting this deficit.

The total dividend for 1980 is being maintained at 30p net by a same-again final of 21p.

Mr Mark Gent, the chairman, says that the dividend would not be fully justified when considered against the results of 1980 alone, but it reflects the board's confidence in the future prospects of the Corporation.

He says that unless there is a dramatic change in the economic circumstances affecting the Corporation's key activities, 1981 *should show a substantial* improvement.

Mr Gent says that although the economic recession in the UK appears to have flattened, *conditions world-wide* remain uncertain with the continuation of high interest rates in many countries and exchange rate fluctuations. Against this background *the year has begun satisfactorily* for the Corporation.

The elimination of loss-makers, the merger of the Scottish carpet business with Stoddards and the acquisition of Angus Fire Armour will result in a very substantial turn-round in the UK performance, he adds.

The chairman says for the first time in many years this region will be a material contributor to the operating profit of the group. Angus has started the year well and the board is very pleased with the opportunities available internationally following the acquisition.

Turnover for 1980 moved ahead from £286.36m to £317.5m but operating profits declined by £3.56m to £29.25m. Interest took *£5.24m (£5.31m).*

After tax the net balance emerged at £10.14m (£13.2m) and the attributable figure came through well down at £2.37m, compared with £12.58m, after minorities of £1.75m (£2.1m) and extraordinary debits of £6.02m (£1.48m credit).

The extraordinary losses relate to the transfer of the Scottish carpet business and to the termination of other operations.

Stated earnings per £1 share dropped sharply from 38.5p to 27.3p.

A breakdown of territorial operating profits shows: South East Asia £21.68m (£25.94m): North America £5.57m (£5.88m): Europe £220,000 loss (£295,000 profit); Australia £660,000 (£421,000); and Africa £1.57m (£278,000).

Guthrie Corporation's activities include rubber, tin and oil palm products as well as carpets, canned foods and fabric coating and laminates for foundation *garments and footwear.*

● **comment**

Guthrie's 13 per cent slide in pre-tax profits reflects a £3m loss *from its Scottish carpet operations*, now sold, and lower earnings from its Far East plantations due to depressed *palm oil prices. Acquisitions and* disposals over the year have reduced shareholders' funds from £208m to £201m, while increasing total borrowings by £7m. Next year, the group hopes to earn around £4.5m in the UK, with the newly acquired Angus Fire Armour contributing between £3m to £3.5m. Earnings from sales of palm oil will have recovered as output has been increased by 10 per cent. Guthrie sells palm oil forward and says the average price will be similar to last year. The long term future of Guthrie in Singapore future of Guthrie Berhad in Singapore, which this year contributed £2m pre-tax, within the group is uncertain. Sizeable purchases of land in the Philippines and China, which boosts the company's Far East acreage by 36 per cent, will take about nine years to develop but reinforce Guthrie's dependence on the region. The p/e, on a high tax charge, is a lofty 30 and the yield is just over 5 per cent at 840p. M and G plans to sit tight with its 15 per cent stake and says no approaches have been made since Sime Derby sold its 27.6 per cent stake at 720p to the Malaysian government off-spring. Permodalan Nasional Berhad.

REPORTS TO MEETINGS

Ladbroke chief confident of good year

GROUP profits to date at Ladbroke Group are satisfactory and Mr Cyril Stein, chairman and managing director, told the annual meeting he was confident of another good year.

He said that major developments so far included obtaining planning consent for a prime office development in Piccadilly, Mayfair, the recommended offer to purchase Wallis's Cayton Bay Holiday business in Scarborough, the acquisition of the John Marley group of 30 licensed betting offices in London and further material growth within the machine hire division.

Shareholders approved the formation of a new property *organisation* to be established in the U.S., to take advantage of the wide opportunities this market offers for profits and asset growth.

At other meetings yesterday, chairmen reported:

Profits of **Francis Industries** for the first four months were highly satisfactory, said Mr Sandy Saunders, bearing in mind the generally depressed level of demand.

The directors would be increasing the interim dividend from 1.75p net to 2p and expected at least to maintain the year's final.

The acquisition of Drummonds of Greenock for less than £1m would enable the group to broaden its business into slip lid containers and other packaging products and had strengthened its position in the market, the chairman said.

The costs of adjusting quickly to a dramatically lower level of demand have been heavy for **Pentos**, said Mr T. A. Maher.

He repeated his forecast that the group would incur losses in the first half of the current year but would earn sufficient profits in the second six months to ensure a surplus for the year as a whole.

The reduction of borrowings remained a major objective, he said, and by midway agreements would have been concluded which would mean the realisation of £2m from non-trading activities. At least a similar amount should be realised in the second half, he added.

The first four months of 1981 had not produced results as good *as the directors of* ***British Dredging*** would have hoped, stated Mr. Fane Vernon, although they were just ahead of budget.

The year was proving difficult because the building industry was in the midst of a severe recession, and excessive rainfall in April and May had reduced activity.

As part of its policy to eliminate unacceptable loss-making areas and "drive hard for a substantial profit in 1982" the group would close or dispose of Channel Construction and its associate company Channel Joinery as soon as their outstanding contracts had been completed.

A good start had been made to the current year at **London and Continental Advertising Holdings**, said Mr. John Golfar, and with the bulk of revenue being earned in the second half, he told members at the meeting the company was heading for a record year.

He stated that the company had acquired a substantial number of poster sites throughout the country and in a full year the revenue from these, when fully developed, should contribute profits of about £250,000.

"While these developments will be making a modest contribution to profit by the end of this year, I do not expect the full impact to be realised until 1982," he added.

Following a very satisfactory start, prospects for the current year at **NMW Computers** could be considered favourable, said Mr. E. B. Bibby.

The prototype of a new microprocessor family would be ready later in the year which would lead to the development of the electronic office for NMW's stockbroking service and act as a platform for future ventures. Negotiations were continuing for the acquisition of small microprocessor manufacturing companies.

The company was keeping its options open with regard to joining the USM or seeking a full quotation and no move was likely before 1982.

RESULTS AND ACCOUNTS IN BRIEF

HOSKINS AND HORTON (*building contractor and hospital equipment manufacturer*)—Results for 1980 and prospects reported May 14. Fixed assets £2.31m (£2.34m), net current assets £2.31m (£2.43m), net current holders' funds £2.46m (£3.81m). Net cash inflow £144,000 (£1.44m outflow). Mr. S. Lloyd is to retire from the chairmanship at end of annual meeting and he will be succeeded by Mr. R. C. Hale. Meeting, Birmingham, June 17, 3 pm.

EAST SURREY WATER COMPANY—Net surplus for year ended March 25 1981 £81,000 (£374,000 deficit). Income £6.02m (£4.99m), expenditure £4.75m (£4.34m). Fixed assets £14.54m (£13.85m). Net current liabilities £1.32m (£0.27m) including bank overdraft £1.42m (£0.32m). Working capital decreased £1.11m (£2,000 increase). Meeting, Company's offices, Redhill, *June 19, 10.30 am.*

MARSHALL'S UNIVERSAL (distribution of motor vehicles, accessories, paper and plastic materials)—Results for 1980 reported on April 30. Shareholders' funds £11.16m (£10.92m), fixed assets £11.55m (£8.5m), net current assets £17.84m (£16.49m). Decrease in net liquid funds £3.06m (decrease £3.12m). Historic pre-tax profit of £26,567 turned into a loss of £824,000 *after current cost adjustments.* Meeting Croydon June 22 at noon.

SECCOMBE MARSHALL AND CAMPION (bill broker and banker)—Results for the year to April 30, 1981, *reported May* 14. Balances at bankers and cash in hand £160,719 (£170,338): bills discounted, at cost £73.67m (£84.01m): sterling negotiable certificates of deposit, at cost £15.48m (£7.15m): investments £18.71m (£14.08m); debtors, loans on security and other accounts £927,818 (£1.61m). Shareholders' funds £3.22m (£3.13m). Meeting, 7 Birchin Lane, EC, June 24, 3.30 pm.

FOSECO MINSEP (*metallurgy, building products and special chemicals*)—Results for 1980 reported April 30. Group shareholders' funds £88.65m (£55.85m). Loans £19.41m (£6.89m). Fixed assets £60.81m (£39.42m). Net current assets £54.84m (£22.4m). Total net borrowings increased £3.41m (£2.77m). Comparatives restated. Current cost pre-tax profit £14.4m against historical £20.21m. Chairman *says group will continue to pursue* vigorously its policy of internationalisation, along with rationalisation where necessary, to develop existing markets and to break into new activities, at times through joint venture and acquisitions.

SMITH, BULMER AND CO. (worsted comber and spinner)—Results for the year to February 27, 1981. Pre-tax loss £486,094 (£440,390). After a tax credit of £557,053 (£74,949 charge) and debiting extraordinary items of £27,256 (£62,342) there was net profit of £43,703 (£577,681 loss). Turnover £5.85m (£6m). Preference dividend takes same-again £26,600. Company is a subsidiary of Parkland Textile.

SCRUTTONS (port manager)—Results for the 15 months to end-December 1980. Turnover £13.2m (£10.38m for *year to September 30 1979*). *Pre-tax* profit £880,000 (£1.29m) against a forecast of £600,000. Tax £493,000 (£458,000). Extraordinary credits £47,000 (£61,000). Stated earnings per 10p share 6.2p (13.7p). Total dividend on A ordinary shares equivalent to 3.7p, as foreshadowed. The company's shares are traded on the market made by M. J. H. Nightingale and Company.

J. SAINSBURY — Results for year *ended February 28, 1981, reported May* 7. Shareholders' funds £293.02m (£235m). Fixed assets £312.29m (£251.06m). Current assets £145.18m (£155.82m), liabilities £185.07m (£168.26m). Net liquid funds decreased £1.38m (£9.6m increase). Chairman's emoluments £62,000 (£39,500). Meeting, Connaught Rooms, WC, July 1, noon.

EMRAY—There will be a delay of up to four weeks in the publication of annual accounts due to a delay in accounts of a subsidiary in Zimbabwe, and recent computerisation of a UK company.

T. C. HARRISON (Ford main dealer) —*Mr Edward Harrison, chairman, told* annual meeting that group profits for first four months of 1981 were similar to those of same period last year. Appropriate measures had been taken *to reduce* overheads and he was confident that this year's results would be acceptable in the prevailing conditions. Total group borrowing were now less than £0.5m.

GASKELL BROADLOOM (carpet manufacturer and *distributor*)—Results for 1980 reported May 16. Fixed assets (£3.44m (£1.07m): net current assets £4.15m (£2.7m): shareholders' funds £5.24m (£3.71m). Company proposes *to appoint* Price Waterhouse and Co. as auditors in place of retiring auditors J. H. Lord and Co. Meeting: Blackburn, June 26, noon.

Northern Foods' progress slower than anticipated

ALTHOUGH the results from Northern Foods for the six months to March 31, 1981 show a continued improvement, the rate was slower than earlier anticipated, says Mr Nicholas Horsley, the chairman.

Pre-tax profits rose from £14.81m to £17.19m. Turnover, including 26 weeks for Bluebird compared with 12 weeks in the previous year, increased by 41 per cent from £257m to £362m.

A large part of the pre-tax profits improvement was accounted for by first time contributions from new acquisition Dorset Foods and the full six months earnings from Bluebird.

Commenting on second half prospects, Mr Horsley makes it clear that the group's U.S. operations are suffering, like most from high interest rates.

"Most meat packers are having a difficult time there," he says. "We are keeping our heads above water and making profits, but not doing as well as we hoped to be."

Nearer home, he says the group has no problems in volume sales terms on its major UK operations. But there are some signs of pressure on margins now showing through.

Overall capital spending this year will be around £24m, but the total for the next financial year will go up to around £30m with a large part being used for new factories.

Outlining each of the group's main operating areas, Mr. Horsley says over the half-year there had been "fairly modest" progress on liquid milk, but a "very good performance" on the Northern Ireland operations after depressed figures last time.

The manufacturing side of the group's milk and dairy activities showed a modest improvement. Milling and baking produced a mixed performance—with milling down a little, and baking up a little—giving a virtually unchanged result.

Pork Farms had a very good opening three months trading, but started to feel the pressure on margins during the second quarter. The group fared better than many on brewing. Sales were only marginally down, and profits actually improved slightly.

Trading profits in the first half were up from £22.24m to £27.83m, but depreciation costs increased from £5.23m to £7.23m, and interest charges were higher at £4.26m compared with £3.39m. Profits on trading advanced from £17.01m to £20.6m, an increase of 21 per cent, but this does not include earnings from investments amounting to £813,000 (£1.15m).

The interim dividend is raised from an adjusted 1.6p to 1.8p—last year's total was 4.4p (adjusted) from pre-tax profits of £30.56m.

After tax slightly higher at £4.65m (£4.4m) and minorities of £298,000 (£123,000), attributable profits emerged at £12.24m compared with £10.61m. Dividends absorb £3.03m (£2.68m), leaving retained profits up from £7.93m to £9.21m.

Stated earnings per 25p share improved from 6.14p to 7.28p.

● comment

Northern Foods has produced its usual robust performance, even if this time a good slice of the gain in pre-tax profits relates to the presence of Bluebird for six months rather than three. Volume is holding up well throughout the business, except in liquid milk and beer where there are small declines; however, margins are coming increasingly under pressure in biscuits, flour and in Pork Farms (as the pigmeat price has risen). Northern has relied heavily in the first half on the strength of businesses such as milk manufacturing, where it sells heavily to Marks and Spencer and Sainsbury, and it will do well to top £35m for the year. This will allow it to reduce borrowings quite substantially, despite a fairly high capital spend. The company is of very high quality but the shares—never cheap—stand on a challenging rating at 173p, up 3p yesterday; the p/e is in the mid-teens, fully-taxed, and the yield 3.8 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Bath and Portland, Dobson Park Industries, Howard and Wyndham.

Finals—Allied Breweries, Bishop's Stores, N Brown Investments, Dwek Group, Prince of Wales Hotels.

FUTURE DATES

Interim—

Cardiff Property	June 15

Finals—

Brownlee	June 9
Burnett and Hallamshire	June 25
Burnett and Hallamshire	June 25
Chamberlain Phipps	June 15
Continuous Stationery	June 11
Cropper (James)	June 22
Dominion and General Trust	June 18
Hill Samuel	June 11
Johnson Matthey	June 17
Plysu	June 11
Powell Duffryn	June 24

Hickson & Welch first half plunge

TAXABLE PROFITS of Hickson and Welch (Holdings), the chemicals, timber products and building materials group, were virtually halved in the six months to March 31 1981 at £2.21m against £4.4m.

Turnover for the period was more than £6m down at £42.58m.

Earnings per 50p share, after tax of £976,000 (£2.23m) slipped from a stated 11p to 6p, but the net interim dividend is held at 2.5p. For the last full year a total of 7.5p was paid from pre-tax profits of £6.48m (£8.06m).

The first-half surplus included investment income of £155,000 (£188,000) and associates of £115,000 (£79,000), and was also struck after redundancy costs of £128,000 (nil) and interest charges of £384,000 (£771,000).

● comment

Hickson and Welch has carried on at the depressed level of trading established in the second half last year. The balance sheet is very strong, and it seems reasonable to expect that the total dividend will be maintained even though cover is steadily being eroded. Chemicals lost money in the UK, a deficit which overseas chemical operations could not quite offset. Profits, at the moment, are coming only from timber products. There is some comfort to be gained from the recent change in sterling-dollar exchange rates, which will improve margins on U.S. sales. But sensitivity to exchange rates emphasises that Hickson is a commodity producer of its range of chemicals, competing on price with other efficient producers, particularly the West Germans. At 170p, the shares are trading on a prospective fully-taxed multiple of about 15—not a "speciality" rating—and the yield is nearly 6.5 per cent.

United Electronic ahead and pays forecast 1.57p

SALES OF United Electronic Holdings rose from £7.17m to £9.23m in the year to March 31 last and pre-tax profits went ahead to £859,000 against £744,000. This followed a £71,000 increase to £401,000 at mid year.

On a current cost basis, the surplus is £759,000 compared with £560,000.

The directors are proposing to pay a final of 1p net, making a total for the year of 1.57p, as forecast when the group's shares were placed in July last year.

Earnings are shown down from 7.8p to 6p after tax of £248,000 (£28,000). Minorities took £61,000 (£77,000) and there was an extraordinary credit of £26,000 against a debit last time of £72,000.

The current year has started more quietly than the group had expected and the directors say the continuing effects of the recession in the UK make it difficult to forecast the level of activity. However, long term future prospects remain good for the group, which distributes electronic components and retails hi-fi accessories and video films.

Additional resources will be allocated to the accessory and video activities in view of the market growth of this sector, the directors add.

● comment

United Electronic is not offering results to justify a p/e of around 20. Rather better things than a 15 per cent increase in pre-tax profits are to be expected. Intel, the distributor of passive electronic components, increased its market share and gross margins but high interest rates reduced net margins. Turnover rose by 15 per cent and earnings were comparable with last year at about £530,000. Against this was a loss of about £100,000 from Intel's seven month old subsidiary, which sells components to small equipment-manufacturers. Intel has started slowly this year with no signs of higher defence orders although it has acquired a franchise from AVX, the U.S. company, which has a major share of the market for capacitors. Entry into the more competitive and volatile active components market is under consideration. Meanwhile, Hi-Fi Care, which retails video films has stolen the limelight, although part of the growth comes from the addition of four new retail outlets rather than organic growth.

Poor second half results in £0.28m deficit for Airflow

SECOND HALF pre-tax losses of £536,412 compared with profits of £324,950, plunged Airflow Streamlines into the red for the year to February 28 1981. Pre-tax profits of £1.14m in the previous year turned into a loss of £282,412 this time. Turnover of this manufacturer of assemblies and pressings for the automobile, aircraft and allied industries, was down from £21.65m to £18.62m.

The final dividend is being omitted, leaving the year's payment at 0.1p. Last year a final of 1.67p was paid for an adjusted total of 2.32p.

The board says both divisions of the group continue to be affected by the current recession, particularly in the production demand from the major vehicle substantially lower sales

It says substantial investment has been made in the body engineering section during the past two years to meet increased demand. This section is now making a substantial contribution to the division.

The board remains confident that the group's progress will be resumed when the economy recovers from the recession.

Commenting on the year's results, the board says sales in the manufacturing division amounted to £6.12m (£8.85m). The loss before tax attributable to this division was £329,505 compared with a profit of £815,601 in the preceding year.

In the second half there was a further severe deterioration in deman from the major vehicle manufacturers, both in the UK and overseas. The work force was reduced in line with the substantialy lowtr sales volumes.

Sales in the motor division amounted to £12.5m (£12.81m), and the pre-tax profit attributable to this division was £47,093 (£327,349).

There was a tax credit of £84,550 (charge £267,000). Ordinary and preference dividends absorb £61,117 (£195,715), leaving retained losses at £258,979 (profits £680,235).

There was a loss per 25p share of 3.92p (earnings 12.96p) basic, and 2.92p (earnings 9.65p) fully diluted.

On a CCA basis, the pre-tax loss was £585,491.

Century Oils drops to £3.04m

PRE-TAX profit of the Century Oils Group for the year ended March 31 1981 was £3.04m, a drop of 15 per cent from last year's record £3.57m. Sales were up from £39.09m to £52.18m.

Midyear profits were virtually unchanged at £1.56m (£1.51m).

The company is recommending a final dividend of 2p, making a net total of 2.8p (2.25p). Stated earnings per 10p share were 10.28p (16.75p).

The pre-tax profit was after interest charges of £1.17m (£654,000).

Attributable profit was £2.34m (£3.33m) after tax of £836,000 (£212,000) and minorities credit of £139,000 (£29,000 debit).

● comment

The slower the wheels of British industry turn, the less lubricant they use. Thus Century Oils suffered a volume downturn in its UK sales last year, particularly to the engineering sector. Turnover for the group was still 33.5 per cent higher because of an extra £7m to £8m from Hein de Windt and overseas operations. But after stripping out a £½m contribution for the first nine months of Hein de Windt, Century's pre-tax decline comes out at nearly 30 per cent. Meanwhile the U.S. business was hit by the miners' strike, making a trading profit of less than £100,000 and probably losing around £200,000 after deducting interest. In Australia the year was even worse: this division may have lost around £200,00 on sales of £300,000. There is better news in the balance sheet. Century has brought its gearing down to around 45 per cent (£7m borrowings against £15.6m funds) from a previous 57 per cent level. But this year, even with Hein de Windt contributing, Century will be doing well to make £4m. At yesterday's 75p, down 3p, the shares do not exactly seem a bargain on an historic fully taxed p/e of 10.5. The yield is 5½ per cent.

IBM bond is fifth fixed rate $ issue in week

BY FRANCIS GHILES

THE FIFTH fixed interest dollar bond to be announced this week was launched last night, a $50m three year issue to 1984 for IBM World Trade. The borrower is paying a coupon of 14¼ per cent and the issue is lead by Salomon Brothers, Merrill Lynch and Morgan Guaranty. Final terms also include a price of par.

Meanwhile, a $100m floating rate note issue to 1992 for Genfinance, the wholly owned subsidiary of the Belgian Societe Generale de Banque, was launched yesterday by Credit Suisse First Boston, European Banking Company and the parent bank.

The borrower is paying a spread of ¼ per cent above the six month Libor rate with a minimum coupon of 5¼ per cent.

As the dollar continued to strengthen against other major currencies and Eurodollar rates moved up again yesterday, prices of fixed interest dollar bonds were unchanged and many dealers said that the volume of trading remained small.

The $75m 15¼ per cent straight bond to 1996 for the French Caisse Nationale des Autoroutes, which was launched on Wednesday night by Goldman Sachs and Caisse des Depots et Consignations, appears to be meeting with a good reception, two thirds of the issue having been placed in firm hands by last night.

The management group for this issue includes BNP, CSFB, Kuwait Investment Company, Lloyds Bank International, Morgan Stanley, Paribas, and Societe Generale de Banque.

Contrary to suggestions elsewhere in the market, the lead managers do not seem to have taken a gamble on the maturity. They argue that demand exists for long dated paper of which there has been a dearth since last summer.

Another reason which may help to explain the good reception afforded to this issue is the yield offered to investors which, if the selling group concession of 1¼ per cent is taken into account, is 15.47 per cent. To take one example, the 12¾ per cent bond to 1995 for the same borrower which was launched last year, was offered on a yield of 14.78 per cent yesterday, while other seasoned long bonds are trading on similar yields.

The two other major sectors of the Eurobond market were firm yesterday with prices of D-mark foreign bonds unchanged and Swiss franc bonds gaining ¼ of a point. Dealers in both countries said the volume of trade was minimal.

The Inter American Development Bank is arranging a SwFr 75m five-year private placement through UBS, on which it is paying a coupon of 8¼ per cent and a price of par. Nippon Miniature Bearing Company, meanwhile, has completed a SwFr 70m five-year convertible issue which carries a coupon of 4¼ per cent and a conversion premium of 4.8 per cent.

The Dutch company, Gasunie, is arranging a EUA 20m seven-year public issue through Kredietbank. This issue is expected to carry a coupon of 11 per cent minimum,

Monsanto studies acrylic merger

BY SUE CAMERON, CHEMICALS CORRESPONDENT

MONSANTO, the U.S.-based chemical group, is considering the merger of its European acrylic fibres business with that of another European producer.

Mr. John Hanley, chairman of Monsanto, admitted in London this week that the group's European acrylic fibres operations were "painful." Monsanto was "exploring the possibility of affiliation with other companies."

But he stressed that the company did not intend to shut down any of its European acrylic fibre plants "at the moment." Monsanto will continue as a world-scale fibres producer but "on a much narrower base.

Monsanto claims to be the fourth biggest producer of acrylics in Europe. Its plants at Coleraine, Northern Ireland, and Lingen, West Germany, have total production capacity of 82,000 tonnes a year.

Both plants were currently running at over 90 per cent capacity but Monsanto was losing money on acrylics because of weak prices and overcapacity in Europe.

Mr Hanley quashed speculation that Monsanto might also be thinking of shutting its new acrylonitrile plant at Seal Sands on Teesside in the UK. The plant, which is estimated to have cost £180m (US$360m) and which supplies raw material to Monsanto's European acrylic fibre plants came on stream last year—18 months late.

Mr Hanley, who described the construction of the Seal Sands plant as a "disaster," said a task force had been set up to find ways of cutting costs there.

Mr Hanley said the group planned to invest about $100m a year in its existing European businesses over the next five years.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday June 11.

Closing prices on June 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	100½	101	−0¼	+0¼	14.97
Amoco 13¼ 88	75	95¼	95¾	0	+1¼	14.30
CIBC 14½ 84	125	97⅜	97⅞	+0¼	−0⅛	15.53
CNE 12¾ 91	100	89⅜	89¾	−0⅛	+1	14.93
Citicorp O/S Fin. 10 86	300	84¾	85¼	−0¼	+0⅞	14.35
Citicorp O/S Fin. 12 87	200	90⅛	90⅝	0	+1	14.36
Con. Illinois O/S 9¾ 86	150	82½	83	−0⅛	+0⅞	14.81
Dupont Canada 13½ 91	65	95⅞	96⅜	+0⅛	+1⅛	14.22
EEC 11 95 (August)	70	78⅞	79⅜	−0⅛	+1⅞	14.51
EIB 12⅞ 89	75	90⅜	90⅞	−0⅛	+1⅛	14.85
Eldorado 13¾ 86	50	94	94½	−0⅛	+1	14.97
Elec. de France 10 88	125	80⅛	80⅝	+0⅛	+1⅛	14.62
Elec. de France 13 88	125	92	92½	−0⅛	+0½	14.87
Export Dv. Cpn. 9½ 86	150	81⅝	82⅛	−0⅛	+0⅛	15.15
Fed. Bs. D. 12¾ 85 (N)	50	92⅛	92⅝	−0⅛	+1	14.59
Fin. Exp. Credit 10½ 85	50	83⅞	84⅜	−0⅛	+0⅛	16.09
Finland, Rep. of 9½ 86	100	80⅛	80⅝	−0⅛	+0⅞	15.59
Ford Credit O/S 14⅛ 83	150	97⅞	98⅜	0	+0⅞	15.45
Ford Cr. O/S Fin. 16 84	150	102½	103	0	+0⅛	14.59
Gaz de France 13½ 88	80	95⅞	96⅜	−0⅛	+0⅛	14.69
GMAC O/S Fin. 12 87	100	88⅞	89⅜	+0⅛	+0⅞	14.78
GMAC O/S Fin. 12⅞ 88	100	91⅜	91⅞	0	+0⅛	14.89
Gen. Mtrs. O/S 11⅜ 87	100	88⅜	88⅞	+0⅛	+0½	14.56
Genstar 14¾ 91	50	98⅛	98⅝	0	+0⅛	15.00
GTE Fin. 13¾ 88 (WW)	50	95⅛	95⅝	0	+1½	14.78
Hudson's Bay 11½ 90	75	84⅝	85⅛	−0⅛	+1¼	14.62
IBM Wld. Trade 12½ 88	200	97	97½	−0⅛	+1⅛	13.10
Newfoundland 13½ 90	60	93¼	93¾	+0⅛	+2	14.84
Nova Scotia 10¾ 90	50	82¼	82¾	0	+2⅛	14.29
OKB 10 85	50	85⅛	85⅝	−0⅛	+0⅛	14.90
Ontario Hydro 13½ 91	100	94⅞	95⅜	+0⅛	+1⅛	14.43
Quebec Hydro 11½ 92	100	82	82½	−0⅛	+1⅛	14.86
Queb. Hy. 13 91 (WW)	100	88⅜	88⅞	0	−0⅛	15.29
Royal Bk. Canada 14 86	100	97½	98	+0⅛	+0⅞	14.65
SNCF 12¾ 85	50	93⅛	93⅝	0	+0⅛	14.60
SNCF 13 91	75	91¼	91¾	−0⅛	+1	14.66
Sth. California Ed. 14 87	50	97⅜	98⅛	0	+1½	14.50
Sven Handelsbk. 13⅜ 88	45	92⅜	93⅛	0	+0½	15.45
Sweden 12⅜ 85	150	91⅛	91⅝	−0⅛	+0½	15.16
Swed. Ex. Credit 12 83	50	92¾	93¼	−0⅛	+0⅛	16.72
Swed. Ex. Credit 13 88	75	91⅛	91⅝	+0⅛	+1	15.69
Toronto-Dom. Bk. 14 84	50	96⅛	96⅝	−0⅛	−0⅛	15.55
Tribune O/S Fin. 14 88	50	96	96½	0	+0⅛	15.11
World Bank 9¾ 85	200	85⅛	85⅝	+0⅛	+0⅛	14.82
World Bank 10¾ 87	300	83½	84	+0⅛	+1⅛	14.46

Average price changes... On day 0 on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96⅞	97⅜	+0⅛	−0⅛	10.45
Austria, Rep. of 8¾ 92	150	85½	86	+0⅛	+1	10.42
CECA 7¾ 92	150	†84½	85	0	−1⅛	10.21
CECA 10 91	120	†98½	99¼	−0⅛	0	10.17
Cii-Honeywell 8⅜ 90	125	†87¾	88½	−0½	−0⅛	10.44
Council of Europe 10 91	100	98	98½	0	+0½	10.26
EIB 8½ 90	200	87½	88	−0⅛	−0⅛	10.63
EIB 10½ 91	200	†99½	100	−0⅛	−0½	10.55
ESCOM 9¾ 87	100	91	91½	0	−0⅛	11.21
Finland, Rep. of 10 89	100	96½	97¼	−0⅛	−0⅛	10.60
Iberduero SA 9 90	100	†87½	88	−0⅛	−2⅛	11.22
Ind. Bk. Finland 8½ 90	50	†88	88½	−0⅛	0	10.48
Int.-Am. Dv. Bk. 10 91	100	†98¼	99½	−0⅛	−0⅛	10.13
Japan Air Lines 8½ 87	100	89⅜	90⅛	0	+0⅛	10.36
Japan Dev. Bank 7⅜ 87	100	85⅝	86⅛	0	+0⅛	10.81
Kobe, City of 8 90	100	84⅞	85⅜	−0⅛	0	10.60
Midland Int. Fin. 8½ 90	150	88	89⅜	+0⅛	−0⅛	10.49
Nuclebras 9½ 88	100	†87	87½	−0⅛	−1⅛	12.46
OKB 8¼ 92	150	†85½	86⅛	+1⅛	+1	10.46
Oslo, City of 8⅜ 90	80	90⅛	91⅛	−0⅛	−1	10.35
Venezuela, R. of 9⅜ 90	150	92⅜	93½	+0⅛	+0⅛	10.93
World Bank 8 90	700	83	83½	0	−1⅛	10.96
World Bank 10 86	150	99⅝	99⅞	−0⅛	−0½	10.12

Average price changes... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	80	[illegible]	[illegible]	[illegible]	[illegible]	7.27
BFCE 6¾ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. 5⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 5⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 6⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F. G. H. Hmbo. Bk. 6½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 5⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frank. Paribas 6⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genstar 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dv. Bk. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel 5⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] 7½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 6⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps 5¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 7⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.6 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 8⅜ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day +0⅛ on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅛ 88 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M. Bk. Denmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¾ 89 EUA	40	87½	88½	−0⅛	+0⅛	10.54
U. Bk. Nwy. 9½ 90 EUA	18	96⅞	97½	−0⅛	+0⅛	10.04
Algemene Bk. 10½ 86 Fl	60	95	95½	0	0	11.58
Bk. Mees & H. 10 85 Fl	75	93¾	94¼	−0⅛	−0⅞	11.89
Heineken NV 10 87 Fl	100	93½	94	−0⅛	0	11.46
Nat. Nedrlndn. 10 88 Fl	60	93⅞	94⅜	0	+0⅞	11.27
Ned. Midd. Bk. 10 85 Fl	75	94	94½	−0⅛	0	11.75
Pierson 10½ 86 Fl	50	94½	94⅞	−0⅛	−0⅛	11.76
Air France 14½ 86 FFr	200	92⅞	93⅞	+0⅛	+0⅛	16.55
Bk. America 14½ 86 FFr	250	92⅞	93⅜	+0⅛	+0⅛	16.71
Charb'nages 13⅞ 85 FFr	400	91⅛	92⅜	+0⅛	+0⅛	16.38
EIB 14⅛ 88 FFr	300	90⅛	91⅛	+0⅛	+0⅛	16.43
La Redoute 14¾ 85 FFr	125	90⅛	91⅛	−0⅛	−0⅛	17.34
OKB 14 86 FFr	400	91⅛	92⅝	0	+0⅛	16.46
Solvay et C. 14¾ 86 FFr	200	99⅜	100⅛	+0½	+0⅛	14.62
Swed. Ex. C. 14⅛ 85 FFr	250	92⅞	93⅞	+0⅛	+0⅛	16.68
U. Mex. Sts. 14 85 FFr	150	91½	92½	+0⅛	−1	16.91
Acona 14 85 £	20	93⅜	94⅜	−0½	−0½	15.93
Beneficial 14½ 90 £	20	87	87¾	−2¼	−2¼	16.95
BNP 13½ 91 £	15	90⅞	91⅝	−1⅛	−0⅞	15.25
CECA 13¾ 88 £	20	92⅞	93⅝	−0½	−0⅛	15.02
Citicorp O/S 13½ 90 £	50	94⅛	94⅝	−0⅛	+0⅛	14.64
Fin. Ex. Cred. 13⅜ 86 £	15	94⅛	95	−0⅛	−0⅛	15.36
Gen. Elec. Co. 12½ 89 £	50	89⅞	90½	−0½	−0⅛	14.68
Hiram Walker 14¾ 86 £	25	95½	95⅞	−0½	−0½	15.60
Privatbanken 14½ 88 £	12	92½	93¼	−1½	−1⅛	16.27
Rothschild 14¼ 90 £	12	95	96	−0⅛	+0⅛	15.15
Royal Trustco 14 86 £	12	95¼	96	−0⅛	−0⅛	[illegible]
Swed. Ex. Cr. 13⅞ 86 £	20	94½	95¼	−0⅛	−0⅞	15.29
Banobras 8¼ 90 KD	7	†90	90½	0	0	9.95
CCCE 8¼ 91 KD	10	†82¾	83¼	0	0	11.04
Sonatrach 8⅜ 90 KD	12	†93	93½	0	0	9.66
Akzo 9¼ 87 LuxFr	500	85⅝	86⅝	0	0	12.50
Euratom 9¾ 88 LuxFr	500	87¼	88¼	−0⅛	−0½	12.56
Eurofima 10½ 87 LuxFr	500	91⅛	92⅛	0	−0⅛	12.44
EIB 9¾ 88 LuxFr	600	89½	90½	0	−0⅛	11.99
Volvo 9¾ 87 LuxFr	500	86⅝	87⅝	0	0	12.75

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99¼	99¾	2/7	16⅝	16.71
Bank of Montreal 5¼ 90	0¼	99½	100	18/6	19½	19.55
Bank of Tokyo 5¼ 89	‡0⅛	98⅜	98⅞	25/7	16½	16.73
BBL Int. 5 86	0¼	99¾	100¼	20/11	18.31	18.31
BNP 5½ 88	‡0⅛	98⅞	99⅜	29/7	16.44	16.58
CNT 5¼ 86	§0¼	99⅛	99⅝	16/10	16.61	16.88
Christiania Bk. 5½ 91	‡0¼	97⅞	98⅜	5/8	17.31	17.64
Citicorp O/S F. 84	‡0	99⅝	100⅛	30/6	18⅞	18.90
C. Itoh 5¼ 87	0¼	98⅞	99⅜	18/9	15.44	15.61
Co-operative Bk. 6 86	0¼	99¾	100¼	15/11	19.56	19.56
Den Norske Credit 6 90	‡0⅛	98⅞	99⅜	5/8	17.31	17.47
Genfinance 5¼ 87	0¼	98⅞	99⅜	30/10	16.94	17.09
Giro und Bank 5¼ 91	‡0¼	98⅜	98⅞	23/6	14.06	14.28
GZB 5½ 89	‡0¼	98⅛	98⅝	1/8	17.31	17.49
Ind. Bank Japan 5¼ 87	0¼	99⅛	99⅝	15/10	17.06	17.17
Ind. Bank Japan 5¼ 88	0¼	98⅞	99⅜	5/10	16.44	16.58
Lloyds Eurofin 8 90 £	0¼	96¾	97¼	3/7	14½	14.95
Lloyds Eurofin 5¼ 92	0¼	98⅞	99⅜	4/6	17⅜	17.40
LTCB Japan 5¼ 86	0¼	99¾	100¼	13/6	20.19	20.19
Man. Hanov. O/S 5¼ 94	‡0⅛	98⅞	99⅜	30/8	19.06	19.18
Merrill Lynch O/S 87	0⅛	100⅛	100⅝	7/8	20.44	20.31
Midland Int. Fin. 5¼ 92	0¼	98⅞	99⅜	5/8	17.19	17.34
Midland Int. Fin. 9 91	0¼	98	98½	30/10	16.81	17.11
Nacional Fin. 6¼ 86	0¼	99⅛	99⅝	26/7	17⅞	17.84
Nacional Fin. 5½ 88	0¼	96⅞	97⅜	25/9	14⅞	15.34
Nat. Bk. Canada 5¼ 88	0¼	97½	98	24/9	14½	14.83
Nat. West. 5¼ 94	§0¼	97½	98	14/10	16.19	16.56
Nat. West. 5¼ 92	§0¼	97⅞	98¼	23/10	16.81	17.18
Pemex 6 91	0¼	97⅛	97⅝	8/10	15.31	15.73
Sparebanken 6 87	0¼	99	99½	19/6	19⅞	20.03
Standard Chart. 5¼ 90	0¼	98½	99	3/9	17.06	17.28
Svenska Hndlsbk. 5 87	0¼	99⅛	99⅞	15/7	17.81	17.88

Average price changes...On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98	99	[illegible]	23.94
Canon 5⅞ 95	1/81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digicon Fin. 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. 9½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ina Overseas 8⅞ 2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape 8 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. 9⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texaco [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Kuwait in U.S. oil exploration venture

By Ian Hargreaves in New York

KUWAIT PETROLEUM and AZL Resources, an agri-business company based in Phoenix, Arizona, have formed a 50-50 joint venture to explore for energy and minerals in the U.S.

The initial investment is $100m and it is the second such joint-venture entered into recently by the Kuwait company. In May, Kuwait Petroleum formed a joint-venture with Pacific resources based in Hawaii, also to develop energy projects.

Although these two ventures by Kuwait's national oil company are tiny in the context of the huge drilling boom in North America, they add to the fund of material being used by Congressional forces which are hostile to investment in the U.S. by members of the Organisation of Petroleum Exporting Countries.

A report at the weekend by Mr. Dan Dorfman, the syndicated columnist, said that Kuwait had amassed blocks of U.S. equities worth almost $7bn, by building up small stakes in a wide range of companies.

The report was based on documents allegedly leaked from Citibank which advises Kuwait on its investments. The report detailed ownership of 1.8m shares in Atlantic Richfield, 1.2m shares in Phillips Petroleum and more than 1m shares in Conoco. The Kuwaitis were also said to have bought stakes in a wide range of non-energy companies including major banks.

Citibank has not challenged these claims and the general impression of a build-up of OPEC interest in U.S. equities is supported by figures from the Securities Industry Association.

According to SIA figures, seven countries — Bahrain, Iran, Iraq, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates—last year bought $5.3bn of U.S. equities, up from $3.4bn the year before. This level of activity, however, has to be seen in the context of a similar or even greater level of activity by British investors—up from $6.9bn to $12.5bn—and a strong level of buying from Canada, France, West Germany and Switzerland.

Mr Benjamin Rosenthal, chairman of the House of Representatives Consumer and Monetary Affairs Subcommittee, is one of the leaders of Washington opinion that disclosure rules for foreign investors should be tightened up.

Mr Rosenthal has also been a leader in the campaign for tighter controls on foreign acquisitions of U.S. banks and in pushing through successfully measures to require more information from foreign purchasers of U.S. farmland.

Brascan lifts Noranda stake

By Our Financial Staff

BRASCAN, THE Toronto holding company, said it bought about 5.5m shares of Noranda Mines on the open market yesterday.

Mr. Trevor Eyton, Brascan president, said the purchases bring Brascan's total holding in the Canadian mining and metals company to about the 20 per cent level "which is in accordance" with Brascan's generally stated intention.

He said that over the past 20 months Brascan's original 16.3 per cent interest in Noranda has been diluted by various corporate transactions. Brascan "has no plans to exceed the 20 per cent level."

Two years ago Noranda rejected Brascan's request for board representation. Brascan has frequently stated its goal of making a major resource acquisition. There has been regular market speculation that it will attempt again to gain control of Noranda.

Pharaon in Hyatt talks

By Our Financial Staff

HYATT INTERNATIONAL, the U.S. hotel company—said it has not taken any action on the offer by Mr Ghaith Pharaon to acquire the company.

The Pritzker family of Chicago, Hyatt's biggest shareholder, has already said that it has rejected the Pharaon offer, but it has advised the company that talks are being held with representatives of Mr Pharaon, a prominent Saudi Arabian who has a 16 per cent stake in Hyatt concerning Hyatt's future as a publicly-held corporation. The family which owns 74 per cent of Hyatt's shares, want to make the company a private one.

These talks are preliminary and no assurances of an agreement can be given, the company said.

Harvester recovery plans supported by consultants

BY OUR NEW YORK STAFF

INTERNATIONAL HARVESTER'S strategy for recovery from its current financial difficulties has been given a vote of confidence by Booz, Allen Hamilton, the management consultants requested to carry out an independent study by the company's banks.

Points from the study, pub? lished by Harvester yesterday, indicate support for Harvester's claim that it can return to profits next year and that the almost $4.9bn financial rescreduling package now being negotiated with banks will be adequate to cover Harvester's needs in the next three years.

In the last 18 months the truck and farm equipment maker has run up losses of $572.8m.

The report adds, however, that Harvester will probably use more of the proposed lines of credit than its own plans forecast. It also says Harvester's plans to reduce stocks by $1bn over a three-year period are "too ambitious," but says that by 1983, Harvester's rate of inventory leaders. Paccar and Kubota of Japan, and better than those at some other leading North American companies, including Caterpillar, Deere and Massey-Ferguson.

This year Booz Allen expects that the $240m capital gain from the pending sale of Harvester's turbine engine division to Caterpillar will put the company in to the black, although its operating loss will be greater than the $100m previously forecast.

Harvester added yesterday that it agreed with the Booz Allen assessment.

In 1982 Booz Allen expects Harvester to return to "traditional levels of profitability" and to make big gains on this level in 1983. This forecast depends upon recovery in demand for Harvester's main products—farm equipment and trucks—during 1982.

The report says that Harvester's goals are "of manageable proportions, although it will still represent a significant achievement" if Harvester attains them.

Booz Allen also looked at Harvester's product line and found it competitive, and at its dealer chain, which it concluded to be exceptionally loyal and competitive. Most of the company's plants were also adequately efficient, the report said.

An outline of the Booz Allen report was published before the Harvester management yesterday took part in another mass meeting of its almost 200 bankers.

The company said that the number of banks refusing to join in the debt rescheduling had now been reduced to five, representing about $30m in loans. Negotiations would continue with these recalcitrants, the company said.

Volvo ready to sign White deal

BY KEN GOODING IN GOTHENBURG

VOLVO, the Swedish motor group, expects to sign today a preliminary contract for some of the assets of White Motor, the bankrupt U.S. truck maker, and thus establish a manufacturing base in the U.S.

Mr Peyr Gyllenhammar, chief executive, said that the first priority would be to return White to profitability. For four or five years, Volvo would have to continue selling the current White range of trucks along with "certain Volvo products which can be introduced on their own merits." Exports from Sweden would continue. So far Volvo has been selling about 1,000 of its medium-weight trucks a year in the U.S.

Then, decisions could be taken about integrating the White and the Volvo models or the possible use of Volvo components in White vehicles. Volvo could also launch itself into the fast growing U.S. bus market through the White facilities.

Mr. Gyllenhammar would not be drawn about the cost of the acquisition, but the price has been unofficially estimated at around $100m.

White, with just under 7 per cent of the U.S. heavy truck market was "just the right size for Volvo." It had some of the most up-to-date production facilities in the U.S., and "it did not collapse for want of a good product range."

The balance sheet just published shows Volvo with more than SKr 3.5bn in cash

RESPONSE TO MONEY MARKET FUNDS

Banks seek high yield alternative

BY WILLIAM HALL, BANKING CORRESPONDENT

AMERICA'S commercial banks have watched helplessly over the last couple of years as more than $100bn of their consumer and business deposits have flowed into a new generation of "money market" funds run by the big brokerage houses such as Merrill Lynch, E. F. Hutton, and Shearson Loeb Rhoades.

However, the meteoric growth of the money market funds—they have doubled in size to $120bn in the last year—may soon be over. Later this month, the Depository Institutions Deregulation Committee, which is masterminding the deregulation of America's financial institutions, is expected to consider creating a new deposit instrument to restore the competitive position of commercial banks.

Many of the funds offer cheque facilities and have proved a powerful magnet for small depositors because unlike the commercial banks they are not subject to upper limits on the interest rates they can offer.

Last month, the Bank of California, a relatively small but aggressive U.S. bank with assets of $3.7bn, tried to stem the outflow of money to the funds by unveiling its "Money Market Plus" account.

Customers in Bank of California could invest as little as $10,000 in the new account and earn a rate of interest of around 17½ per cent.

The Bank of California planned to avoid domestic U.S. regulations on interest rates ceilings by depositing the funds in its London branch.

For a few days after the new account was launched, money flowed into the Bank of California.

However, within a fortnight the honeymoon was over and the Federal Reserve, frightened by the precedent that had been set, hurriedly changed its rules and outlawed the innovative new account.

The Fed's reasoning was that, by using its London branch, the Bank of California had a competitive advantage over other U.S. banks.

Mr Chauncey Schmidt, chairman of the Bank of California, is confident however that the rules will be changed.

For the time being, Bank of California's now product lies dormant. However, Mr Schmidt has been investigating the possibility of launching it on the UK market where there are no interest controls.

At present there is nothing to stop a UK resident opening a Money Market Plus account at Bank of California's London branch although there is an exchange risk. The only problem is that the Bank of England might not look too kindly on a new product which could accelerate the disintermediation in the UK financial markets.

Burmeister & Wain runs into cash crisis

By Hilary Barnes in Copenhagen

THE Burmeister and Wain shipyard has run into an acute cash crisis. It was expected that the situation would be eased yesterday by a new export credit guarantee, but Mr Erling Jensen, the Industry Minister, announced that he was not in a position to authorise a new guarantee.

The shipyard has on order 14 bulk carriers of about 64,000 dwt each, which is probably the biggest order book of any shipyard in Western Europe. Four of the ships, valued at DKr 1bn ($134.5m) are for Wheelock Marden of Hong Kong.

The present problem arose because of a 20-day delay in completing a bulk carrier, which means a similar delay in payment. Workers at the yard on Wednesday agreed by a large majority to improve productivity, work overtime and refrain from new wage demands. It was thought that this promise would secure export credit guarantees. The commercial banks have so far said they cannot increase credit without the guarantees.

Mr. Jensen said it was now up to the shipyard's Board to decide what to do. Since the B and W parent company was declared bankrupt last autumn the shares in the shipyard have been held by the Export Credit Council, which comes under the Industry Ministry, as security against loan guarantees.

The B and W shipyard, however, was insulated from claims from the bankruptcy of the B and W parent, which disclosed adeficiency of DKr 145m ($19.5m).

Fluor earnings growth slows in second period

By Our Financial Staff

FLUOR Corporation of the U.S., the world's largest construction engineering company, reported a slowdown in profit growth in the second quarter which ended on April 30.

Net profit rose by 4 per cent to $37.5m or 77 cents a share on revenues ahead by 23 per cent to $1.41bn. This brought profits for the half-year to $72.7m or $1.49 a share, up 13.4 per cent from a year earlier. Revenues rose 23 per cent to $2.66bn.

The second quarter's inflow of new orders was $3.02bn, up 11.4 per cent from a year earlier.

But after a strong first quarter, the inflow for the first half was $5.35bn, up 47 per cent. The company's order backlog at April 30 stood at $18.8bn against $13.6bn a year earlier.

In April Fluor acted as a "white knight" by thwarting the attempt by Seagram to take over St Joe Minerals. It offered $2.7bn for 45 per cent of St Joe's shares and then planned to exchange the rest of St Joe's stock for its common stock.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

COURT JUDGEMENTS BRING FURTHER PRESSURE ON COSTS

Tough times for Australian insurers

BY COLIN CHAPMAN IN SYDNEY

THE AUSTRALIAN insurance industry, already in a state of ferment as a result of price wars, mergers and considerable rationalisation, is wondering how to meet further upward pressure on costs expected to result from several recent judgements in the courts.

Two judgements in the New South Wales Court of Appeal, and Victoria's first A$1m (U.S.$1.1m) damages award have left insurers fearful that their liability in many workers' compensation and third party claims may be doubled. Early estimates are that the decisions could add up to A$200m (some U.S.$230m) claims for accidents which have already occurred in the two most populous states.

Even before these judgements a report commissioned by the NSW premiums committee had shown that in this area of business companies were set for three more years of heavy losses unless rates were increased. At least three of Australia's major insurers have tried to lift premiums, but have found the market too competitive.

Now companies in the liability field discover that the provisions set aside for outstanding claims are seriously under-stated and this is at a time when accident insurance is running at a heavy loss.

The recent judgements stem from a test case in the Australian High Court, which effectively allowed for high inflation rates in the calculation of accident awards. A further case, now on appeal, has insurers even more worried, because it tests the issue of whether an estate may recover damages for the destruction of earning capacity over the "lost years" of someone deceased, the period during which the person might be expected to have been a wage earner and pensioner.

The NSW Court of Appeal recently tripled an award made by a junior court to take account of earning capacity during these "lost years."

These issues aside, the industry has had to face up to intensive competitive pressures, which have produced a spate of mergers, takeovers, sales and withdrawals among general underwriters in the Australian market.

The most significant was last month's announcement of a merger between Mercantile Mutual and the Dutch company, Nationale Nederlanden (NN). Before the announcement, Mercantile's directors had favoured a bid from QBE Insurance, which dropped its offer and accepted NN's offer for its stake.

The offer from the Dutch company evidently came as a relief to both companies. As Mr Alan Geddes, managing director of Mercantile Mutual, put it: "I think what has now happened is better — an association with such a large company appeals to us. I think it is better than the turmoil of merging two local companies going through a difficult period."

TOP TEN GENERAL INSURERS

Company	Premium income A$m	Net profit (loss) from insurance A$m
NRMA†	164	9.28
South British*	89.29	7.71
Royal	87.29	3.55
Mercantile Mutual	77.83	7.07
QBE†	68.40	(0.67)
Manufacturers Mutual†	62.70	4.63
GRE	50.34	8.00
New Zealand*	46.73	(0.20)
AMP Fire and General†	35.86	7.26
Norwich Winterthur	35.23	0.19

† Australian owned. * Merged since year end.

The merger has still to be approved by the Foreign Investment Review Board, which has been known to reject increases in foreign ownership and regards the insurance industry as particularly sensitive. However, in this case it will probably decide that special circumstances apply, particularly as most industry observers felt the earlier presented alternative could have been financially risky. As it is, NN's strength will increase Mercantile Mutual's ability to weather the storms ahead.

The other significant merger was that between two large New Zealand domiciled companies, South British Insurance and New Zealand Insurance to create a group with net annual premiums in Australia of A$136m at 1980 prices. Another merger was the takeover of the Retail Trader's Insurance Company by Allianz, the German underwriter.

The traditional companies are viewing with apprehension a move by the national trade union movement into the industry with Labour Insurance, a joint venture of the Australian Council of Trade Unions with Sentry Insurance. The success of NRMA Insurance—based on motorists' interests and linked with the NSW motoring organisation—in growing to become Australia's biggest general underwriter indicates how a special interest group has been able to mobilise its membership. The ACTU has three times as many members as the NRMA.

Within the industry senior managements under pressure from extreme competition are undergoing a rapid turnover: consultants have seldom been busier in the insurance industry and a new generation of leaders is emerging. Down the line there have been redundancies as companies struggle to keep their costs down.

New entrants into the market, including some aggressive marketing by American-owned broking houses, have left the Australian premium pool stagnant. The industry is pinning its hopes on the giant resources developments for future growth. Potential premium income over the next five years is estimated at A$400m—more than 10 per cent of the 1979-80 premium pool of A$3.63bn.

But Australian companies suffer competitive disadvantages, especially in writing policies on local risks for multinations who can insure more competitively elsewhere and avoid local stamp duties. Australian companies also find it advantageous to insure overseas operations abroad.

The Australian companies say they hope for some relief, particularly in the opening up of a better foreign exchange market, in the wake of the report of the Campbell Committee into Australian financial institutions.

At present only investment earnings are keeping profits healthy. In the year to June 1980 the insurance commissioner noted underwriting losses of A$80m against A$34m in 1979. But investment earnings reached a record A$324m, producing pre-tax profits of A$209m.

In the current year much the same pattern is emerging, and as long as there are prospects of profits overall, nobody, least of all the overseas insurer for whom Australia represents only a small but potentially long-term profitable market, wants to be the first to lose market share by increasing premiums. So the rough and tough competition can be expected to continue.

Veba Oel hit by poor demand

By Our Bonn Staff

VEBA OEL, the oil subsidiary of the Veba group, West Germany's largest industrial concern, has found itself trapped between the high purchasing costs of crude oil and the flagging demand of its refined products.

However, in the first quarter of this year, Veba Oel has managed to balance out its operating losses in the refineries between DM 150m ($63.57m) and DM 200m with earnings from other divisions. The company also intends to shift the focus of its activities towards the refining of heavy oil and is about to sign an agreement with Venezuela providing for technical co-operation and the construction of a heavy oil refinery in Germany.

Worst results from AHV

By Robert Graham in Madrid

THE SOLE remaining private integrated steel company in Spain, Altos Hornos de Vizcaya (AHV), recorded losses of Pta 10.9bn ($121m), the worst results in the company's history, in the 1980 financial year.

However, Sr Juan Luis Burgos, president of AHV, has told shareholders that with the recent agreement on restructuring of the integrated steel sector, company losses should be cut to about Pta 7bn in 1981. Last month agreement was finally reached with a group of leading Spanish banks on the restructuring of Pta 16bn-worth of debts. The banks also agreed to provide a further Pta 23bn of new loans.

Merger aids PHB-Weserhutte

BY ROGER BOYES IN BONN

PHB-WESERHUTTE, the West German bulk-handling group, formed by a merger last year of Pohlig-Heckel-Bleighert and Weserhütte, appears to be coping well with the marriage and reports a surge in sales and orders for 1980 and the opening months of this year.

Because of strong demand for coal-handling technology for export and import terminals, new orders doubled between January and May 1981 compared with the same period last year. Orders in hand rose by 45 per cent to DM 700m ($296m) for the parent company and by the same percentage to DM 1.2bn for the group. Comparative figures for 1979 and 1980 are made difficult because the merger was formally approved only in October of last year, but sales seemed to have increased radically in the group as a whole, though they slipped at the parent company.

Thus parent company turnover dropped to DM 437m in 1980 from the DM 463m achieved separately by PHB and Weserhüttes, though new orders jumped to DM 507m from DM 443m in 1979. Turnover in the group rose by about 20 per cent to DM 819m, and new orders by 25 per cent to DM 957m, while orders in hand are well in excess of DM 1bn.

The growth in the group, rather than the parent company, clearly points to overseas business and production continuing to provide the main dynamic force. In addition to the group's companies in Bad Oeynhausen, Cologne and Rohrbach and six other subsidiaries in West Germany, the group has four subsidiaries in Brazil, four in France, three in Australia, two in the U.S. and five other international offshoots, including one in Britain. The overseas share of the group's sales amounts to 75 per cent.

This strong foreign involvement has left its mark on earnings for 1980, with the group being especially sensitive to the problems of high interest rates — a particular dilemma for a recently merged concern looking to expand — and specifically national problems, such as the high inflation rate in Brazil.

The net profit of the parent company — which like all engineering companies felt the pinch of the domestic recession — was DM 2.2m, which will be put aside to cover future risks.

Novo sets terms for U.S. issue

BY HILARY BARNES IN COPENHAGEN

NOVO INDUSTRI, the Danish pharmaceuticals and enzyme group, is seeking to raise at least DKr 180m ($24.3m) and possibly more than double that amount through an issue of shares in the U.S.

The company is proposing to issue between DKr 20m and DKr 40m of nominal DKr 100 B shares to a banking consortium led by Goldman Sachs and Company of New York at a price equivalent to its quote on the Copenhagen stock exchange, but at not less than DKr 900.

At present more than half the company's B shares are held outside Denmark, mainly the UK and the U.S. They are listed on the London Stock Exchange and traded through the U.S. over-the-counter market in the form of American Depostary Receipts (ADR), five of which equal one Novo B share.

Novo is also to seek a listing for its shares on the New York Stock Exchange, and if its application is accepted, the NYSE price, along with the Copenhagen and ADR prices, will form a basis for deciding the level at which the shares will be subscribed by the underwriting consortium and then handed on to clients of the banks in the group.

The subscription period will last from July 1 to August 31, and the new shares will rank for the 1981 dividend.

Last year Novo increased its 1980 B dividend from 12 per cent to 13 per cent and the dividend on its A shares, all held by the Novo Foundation, from 5.5 to 6 per cent after pre-tax profits jumped to DKr 239m ($32m) from DKr 138m.

Novo's first quarter 1981 sales rose to DKr 475m ($64m) from DKr 364m last year with pre-tax earnings up from DKr 50m to DKr 87.5m.

The group, which specialises in the production of medical insulin and industrial enzymes for detergent production and starch splitting, sells about 97 per cent of its products outside Denmark.

The purpose of making the new issue in the U.S. is both to tap the U.S. capital market and to create a more active market for Novo shares in the U.S., where there have so far been relatively few shares available.

The company plans to invest DKr 650m in new plant in the current year, most of it in Denmark but part in Japan and the U.S.

Dassault boosts earnings

By Robert Mauthner in Paris

AVIONS MARCEL Dassault-Breguet Aviation, the big French aircraft manufacturer scheduled to be nationalised by the new French Government, has announced an increase in net profits of 14.7 per cent to FFr 312m in 1980 from FFr 272m in 1979.

Pre-tax sales rose by 50.7 per cent to FFr 10.7bn of which 88 per cent was accounted for by the company's best-selling military aircraft such as various versions of the Mirage fighter-bomber, the Franco-British Jaguar fighter-bomber and the Alpha-Jet fighter-trainer. Exports made up 70 per cent of turnover.

The annual meeting of the company has approved the distribution of a net dividend of FFr 29 per share, after payment of FFr 14.5 per share in tax. The gross dividend of FFr 43.5 is 15.2 per cent up on that paid out in 1979.

In spite of the very substantial increase in sales, new orders reached only about FFr 9bn last year, compared with FFr 13.7bn in 1979, and foreign orders plummeted by more than half to FFr 4.9bn. Military exports were particularly hard hit by the weakness of the dollar, which gave U.S. competitors a valuable price advantage.

Though this situation is likely to be reversed in the current year, thanks to the recovery of the U.S. currency and the weakness of the franc, some of Dassault's foreign clients are showing some signs of hesitation in placing new orders because of uncertainties about the company's strategy after nationalisation.

Carrian buys Union Bank stake

By Adrian Boven in Hong Kong

CARRIAN HOLDINGS, the unlisted parent company of Carrian Investments, which is one of the most active stocks on the Hong Kong market, announced yesterday that it has bought just under 10 per cent of Union Bank, a small listed bank in Hong Kong, for HK$81.1m (US$14.8m).

The bank issued 8.45m new shares to Carrian at HK$9.60 a share, which compares with the HK$9.20 closing price on the market on Wednesday, before rumours of the deal lifted the stock 25 cents against the market trend, yesterday to HK$9.45.

Carrian, which is backed by a nundisclosedo verseas source, and is actvie in property trading and tourism, said the deal was made because the group is convinced that Hong Kong will grow as an international financial centre.

Union Bank recently reported after-tax profits for 1980 of HK$81.29m, up 16 per cent from HK$70.04m in 1979, but the profit growth was well below the average of about 40 per cent for Hong Kong's listed banks.

Carrian Investment last month announced net profits for the nine months to end-December of HK$461.5m, helped by the sale of Gammon House, the tower block in central Hong Kong. The results were not directly comparable with the previous accounting period, because of a change in the financial year-end. In the preceding 12 months, however, the company made a profit of HK$10.9m.

Alcoa and Hoechst plan aluminium servicing plant

BY OUR SYDNEY CORRESPONDENT

ALCOA OF AUSTRALIA and the German industrial group, Hoechst, yesterday announced plans to construct a A$40m (U.S.$45m) manufacturing plant to supply the needs of Australia's growing aluminium industry.

The plant, which will produce carbon cathodes, side-wall blocks and tampins pastes, will have the capacity to provide 10 per cent of the world's production.

The venture is regarded as a major investment project by the consortium, which also includes Hoechst's 50 per cent-owned specialist company in the field, Sigri Elektrographit.

Alcoa of Australia is 51 per cent owned by Aluminum Company of America. The Melbourne Collins House group also has a stake.

The decision to go ahead with the project came after a joint study of the operation's viability by Sigri, which looked at the international implications, and Alcoa, which covered the local side.

The three partners have now committed themselves to a feasibility study, including such details as siting. The study is expected to be completed in 12 months, enabling construction to begin in 1982.

The consortium is considering Altona, where Hoechst owns land, and Geelong as possible sites.

Alcoa said the plant was not intended as purely a supplier for Australian smelters, but would also have capacity for export. Production is scheduled in 1983-84, with an annual rated capacity of 20,000 tonnes

All the products to be made at the plant are at present imported at great expense by aluminium producers.

Alcoa of Australia is asking its shareholders, including Aluminum Company of America, to reinvest the half-yearly cash dividend totalling A$25m, announced yesterday, in new shares to help it overcome cash-flow problems. It needs capital for major construction projects, including a new alumina refinery at Wagerup, Western Australia, and an aluminium smelter at Portland, Victoria.

Alcoa said industrial disruptions and the downturn in world markets had affected cash-flow.

The company proposes to issue new A$1 shares in the ratio of 84 for every 1,000 in lieu of the dividend payment. This would increase the paid-up capital to A$325.2m from A$300m.

First-quarter plunge at Boliden

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

FIRST QUARTER earnings by Boliden, the Swedish metals and chemicals group, slumped to SKr 72m ($14.5m) from SKr 194m in the first three months of 1980, but Mr John Dahlfors, the managing director, is sticking to his forecast that pre-tax profits for 1981 as a whole should come out at about SKr 435m before extraordinary items and SKr 450m after extraordinary items.

Group sales in the first quarter rose by 7 per cent to SKr 1.38bn ($276m). The demand for copper, lead and zinc was unsatisfactory and prices were low, the company said. Gold and silver prices also fell.

Low prices and some loss of production especially affected Boliden Mineral, the mining company, where earnings collapsed to SKr 18m from SKr 187m. Profits in other companies showed little change although Boliden Kemi, the chemicals company, raised its contribution to SKr 15m from SKr 9m.

Mr Dahlfors's confidence in his 1981 forecast rests on long-term contracts for metal sales which are estimated to add about SKr 280m to profits this year.

To meet the group's financial targets last year's earnings of SKr 430m should have been more than SKr 200m higher.

Main board post at Guinness Peat

Mr P. J. D'Angelo, president and chairman of Noonan Astley and Pearce Inc. of New York, has been appointed to the main board of the parent company, GUINNESS PEAT GROUP based in London. He will be the first American on that board.

★

Mr J. D. Cormie is to become chief executive of the building and home improvement product area of REED INTERNATIONAL on July 1 and will remain a member of the executive committee. He will be succeeded as finance director by Mr K. J. Morton who will join the board and be a member of the executive committee.

Mr G. S. G. Witherington, who retires on April 1 1982 relinquished his executive responsibilities for the building and home improvements product area at the end of this month but continues as deputy chairman and member of the executive committee.

★

Mr Clefton D. Vaughan has been elected senior vice-president and co-ordinator of MURPHY EASTERN OIL COMPANY.

★

The Duchess of Devonshire has been appointed a non-executive director of the housing division of TARMAC. She is vice-chairman of the Derbyshire Historic Buildings Trust.

★

The following managers have been appointed at the London non-marine office of the INSURANCE CORPORATION OF IRELAND: Mr J. O. Edwards (administration); Mr P. Goss (overseas), Mr R. Hopkins (claims), and Mr. P. Woods (home). Assistant managers appointed are Mr K. Flynn (treaty), Mr B. Ginger (accident), Mr J. Mackay (U.S.), and Mr B. Hall (sales).

★

Mr Morris Serlin has been appointed a director of BEATRICE FOODS (UK). He will relinquish his position as chief executive officer of Home-Pac but continue as chairman of that company. From July 1 Mr Sidney Frosh will become chief executive officer of Home-Pac and Mr Zach Argyrou will be appointed sole managing director. The parent concern is Beatrice Foods of Chicago.

★

Mr Harry Singer has been elected president of the INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES for 1981-82. Mr Eddie Ray has been made deputy president and Mr David Cormie vice-president.

★

Mr Michael D. Harvey has been appointed a director of the STEINBERG GROUP. Mr Alan J. Devine has resigned as a director.

★

Mr John S. Burrow has been appointed a director of McNEILL PEARSON, Edinburgh.

★

Mr C. Austin has been appointed to the board of ALLIED LONDON PROPERTIES.

★

Mr Peter Hinde has been appointed assistant general manager (exploration) BRITISH GAS CORPORATION and a director of its subsidiary exploration companies. He is chairman of the Petroleum Exploration Society of Great Britain.

★

Dr A. G. Raper, chief executive of the Davy engineering and construction companies in the UK serving the metals and minerals industries, has been elected to the board of DAVY CORPORATION.

★

Mr K. J. Henley has been appointed finance director on the board of DOLLAND AND AITCHISON GROUP from June 22 following the retirement, for health reasons, of Mr R. S. G. Mathias. Mr A. Lawbuary has also joined the board as a director and continues as managing director of Dolland and Aitchison Ltd.

★

Mr I. D. G. McNicoll, formerly assistant treasurer of the Rio Tinto Zinc Corporation, has been appointed business development manager of HAMPTON GOLD MINING AREAS.

★

Mr Alan M. Edis, who has held a number of positions with BL, has joined the SUPRA GROUP as commercial director responsible for the Supra automotive division and he will also be concerned with group business planning.

★

Mr Ian Orr-Ewing, managing director of ANCHORPAC, has been appointed a director of HEARNCREST BOUGHTON. Mr Keith Purkiss, managing director of Hearncrest Boughton, has become a director of Anchorpac. The companies are members of the Boughton Group, Amersham.

★

Mr Allan G. Provost has joined the board of F. J. C. LILLEY. He is president of Harrison Western Corporation of Denver, Colorado, U.S.

★

Mr C. M. Winter, deputy managing director of the Royal Bank of Scotland, has been appointed to the board of the ROYAL BANK OF SCOTLAND.

★

Mr G. R. Lovell, general manager with regional responsibilities, has been appointed a senior general manager of STANDARD CHARTERED BANK.

★

Mr G. W. D. Heslett and Mr M. C. S. Morgan have been appointed directors of KIER INTERNATIONAL. Mr Morgan has resigned as a director of FRENCH KIER CONSTRUCTION. The parent concern is French Kier Holdings.

CONTRACTS

DEGREMONT LAING has been awarded a £300,000 contract for the design and supply of a skid-mounted reverse osmosis plant. The contract, placed by Bechtel (UK) on behalf of Mobil North Sea, is due for completion in the summer of 1981.

The plant, designed to produce 114 cu metres of potable quality water per day using sea water feed, utilises hollow fibre polyamide reverse osmosis membranes and includes pre-treatment, high pressure pumping, associated control equipment and comprehensive instrumentation.

Mobil Australia hits out at Federal tax policies

BY OUR SYDNEY CORRESPONDENT

PROFITS of Mobil Australia, the wholly owned Australian subsidiary of the U.S. oil group, jumped 84.5 per cent, from A$39.9m to a record A$73.6m (US$84.1m) in the year to December.

Under current cost accounting methods, which the company aplied to its figures for the first time, however, its operations showed a loss of A$71m, as a result of inflation.

Mr George Pusack, Mobil Australia's chairman, used the adjusted figures yesterday to launch an attack on the Federal Government's traditionally based tax policies.

Despite the profit growth, the company had had to borrow a further A$26m for its operations, after reinvesting in the company all but the A$5m of the profit which was paid in dividends to the U.S. parent.

Part of the problem lay in the slowness with which crude oil price increases had been passed through the Prices Justification Tribunal. But in real terms tax policy caused the main problem.

At the end of 1979 the company's investment in inventories of crude and finished products was A$220m. By the end of last December it had been necessary because of the rise in crude prices to increase the inventory investment to a record A$335m.

However, unlike most other governments around the world, the Australian Federal Government taxed inventory revaluation, which led to higher levels of borrowing and financing costs.

Mobil's result follows a rise in Australian profits by Caltex from A$43.3m to A$57.2m, a 35 per cent slump in earnings by BP Australia from A$40.19m to A$26m, a 47 per cent increase by the Esso group here from A$119m to A$174.8m, and a slump in Shell Australia's earnings from A$84.7m to A$41.6m.

Wardley to advise on bid for Haw Par

By Georgie Lee in Singapore

THE directors of Haw Par Brothers International, the Singapore - based investment group, have appointed Wardley the merchant bankers to act as an independent adviser on the takeover offer by the United Overseas Bank's wholly-owned subsidiary, United Overseas Securities (UOS).

UOS has launched an offer to acquire all the Haw Par shares not already held by it or its sister company, United Overseas Insurance (UOI), at S$4 a share, valuing Haw Par at S$497m (US$230m).

Following the completion its purchase of an 11.37 per cent stake in Haw Par group, Charter Consolidated, the UK mining and industrial group, UOS together with UOI will own 29.09 per cent of Haw Par's issued capital.

UOS has appointed Morgan Grenfell Asia to advise on the takeover offer. It was reported incorrectly yesterday that Morgan Grenfell was acting as adviser to shareholders of Haw Par.

The Singapore stock market yesterday reacted favourably to the announcement, with Haw Par shares being traded at levels as high as S$4.40, before finishing at S$4.32. Before the announcement, Haw Par shares had last been traded atS$4.24.

CURRENCIES, MONEY and GOLD

Pound falls

Sterling continued to weaken, falling to the lowest level against the dollar since the beginning of December 1978. Market sources suggested that despite one of the largest daily falls for several years intervention by the Bank of England was probably confined to smoothing erratic trading. Although the pound bore the brunt of the market selling to buy dollars there was no sign of heavy intervention by the authorities.

Dollar was very firm, helped by the upward trend in Eurodollar interest rates, touching record levels against the lira, Irish punt, and the highest level for over four years against the D-mark.

European currencies lost ground to the strong dollar, with the D-mark remaining at the top of the European Monetary System, followed by the French franc.

DOLLAR—trade-weighted index (Bank of England) rose to 109.2 from 107.9. The U.S. currency rose to the highest level for over four years against the D-mark, touching DM 2.4160, and closing at DM 2.4150, compared with DM 2.36. It improved to FFr 5.6800 from FFr 5.5800 in terms of the French franc, to Y226.50 from Y223.50 against the Japanese yen, and to SwFr 2.1413 from SwFr 2.0910 against the Swiss franc.

STERLING — trade-weighted index (Bank of England) fell to 94.8 from 96.9, the lowest level for a year. It opened at 95.4 and fell to 94.7 at noon. The pound opened at $1.9750-1.9780, and touched a best level of $1.9790-$1.9800. In the afternoon sterling fell to $1.9340-1.9360, and closed at $1.9400-1.9420, a fall of 7.65 cents on the day.

D-MARK—Strongest member of the European Monetary System but very weak against the dollar, partly because the sharp fall of the French franc had tended to pull down other EMS currencies. Renewed fears about Poland and the political situation in West Germany have also tended to depress the German unit but the present rise in U.S. interest rates remains the major market factor —The D-mark lost ground to the dollar at the Frankfurt fixing but improved against the weak British pound. The Bundesbank did not intervene when the U.S. currency rose to DM 2.3955 from DM 2.3615, the highest fixing level since March 16, 1977. The dollar opened at DM 2.38, and rose above DM 2.41 in the afternoon. At the fixing the French franc rose to DM 42.3550 per 100 francs from DM 42.20. There was no sign of heavy intervention by the German authorities in the open market, although trading was fairly hectic at times because of the outflow of funds from sterling. The continued decline of the pound followed assumptions that the price of North Sea oil will be cut in the near future.

ITALIAN LIRA — One of the stronger members of the EMS at present after the 6 per cent devaluation earlier this year. It has fallen to a record low against the dollar however, as U.S. interest rates continued to rise—The lira showed mixed changes at the Milan fixing. The dollar rose above L1,200 in the afternoon after being fixed at a record level of L1,190.05, compared with L1,173.80 previously. High U.S. interest rates were again the main factor behind the dollar's strength, but political and economic worries in Italy also tended to depress the lira against the dollar. Sterling fell to L2,333.10 from L2,365.30 and the Swiss franc to L560.93 from L561.62.

THE POUND SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9340-1.9800	1.9400-1.9420	0.98-1.08c dis	−6.37	2.58-2.68dis	−5.42
Canada	2.3420-2.3900	2.3490-2.3510	1.25-1.35c dis	−6.64	3.60-3.75dis	−6.25
Nethlnd.	5.16-5.24	5.20½-5.22½	½c pm-⅛ dis	0.29	1⅛-⅞ pm	0.67
Belgium	75.70-76.80	76.30-76.45	25-35c dis	−4.71	70-80 dis	−3.93
Denmark	14.64-14.83	14.75-14.77	2¾-3⅞ore dis	−2.69	9¼-11 dis	−2.76
Ireland	1.2725-1.2900	1.2795-1.2815	0.31-0.46p dis	−3.61	0.93-1.13dis	−3.06
W. Ger.	4.64-4.71	4.68-4.69	¼pf pm-¼ dis	—	¼ pm-¼ dis	—
Portugal	122.00-123.50	122.40-122.70	n.a.	—	n.a.	—
Spain	184.00-186.75	184.80-185.10	n.a.	—	n.a.	—
Italy	2,308-2,346	2,343½-2,345½	17½-19½lire dis	−9.47	52½-55½ dis	−9.21
Norway	11.40-11.55	11.49-11.51	¼-1¾ore dis	−0.98	¼-2 dis	−0.48
France	10.94-11.12	11.02-11.04	18-20c dis	−20.67	36½-38½dis	−13.60
Sweden	9.85-9.97	9.86½-9.88½	2¾-3½ore dis	−3.72	7-7⅞ dis	−3.01
Japan	437-445	439-441	2.20-1.75y pm	5.39	6.15-5.75 pm	5.41
Austria	32.55-33.30	32.85-32.90	5gro pm-par	0.91	9 pm-1 dis	0.49
Switz.	4.11-4.18	4.15½-4.16½	1¾-¼c pm	2.16	2⅞-1⅞ pm	2.28

Belgian rate is for convertible francs. Financial franc 77.60-77.70. Six-month forward dollar 3.90-4.05c dis. 12-month 5.80-6.00c dis.

THE DOLLAR SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9340-1.9800	1.9400-1.9420	0.98-1.08c dis	−6.37	2.58-2.68dis	−5.42
Ireland†	1.5235-1.5300	1.5245-1.5265	0.30-0.40c dis	−2.75	0.80-0.95dis	−2.29
Canada	1.2086-1.2107	1.2104-1.2107	0.13-0.17c dis	−1.49	0.33-0.37dis	−1.16
Nethlnd.	2.6550-2.6850	2.6800-2.6850	1.55-1.45c pm	6.75	4.15-4.05 pm	6.15
Belgium	38.92-39.36	39.34-39.36	9-6½c pm	2.38	20-16 pm	1.84
Denmark	7.5225-7.6100	7.5485-7.5510	2.15-1.85ore pm	3.19	3.00-2.60 pm	1.49
W. Ger.	2.3775-2.4160	2.4145-2.4155	1.24-1.18pf pm	6.01	3.14-3.08 pm	5.15
Portugal	62.20-63.15	62.95-63.15	par-30c dis	−2.85	par-80 dis	−2.54
Spain	94.63-95.00	94.85-94.95	20-30c dis	−3.16	55-70 dis	−2.63
Italy	1,176½-1,202	1,200-1,202	3-4 lire dis	−3.52	11-13 dis	−4.03
Norway	5.8560-5.9150	5.9020-5.9040	2.65-2.45ore pm	5.39	7.60-7.20 pm	5.02
France	5.6225-5.6850	5.6775-5.6825	6-7c dis	−13.80	11-13 dis	−8.49
Sweden	5.0560-5.0770	5.0680-5.0690	1.25-1.05ore pm	2.72	3.15-2.95 pm	2.41
Japan	224.75-226.75	226.45-226.55	2.25-2.10y pm	11.52	5.85-5.80 pm	10.37
Austria	16.87-17.06¾	17.05¾-17.06¼	10.80-9.40gro pm	7.15	27½-23½ pm	6.02
Switz.	2.1050-2.1460	2.1408-2.1418	1.56-1.46c pm	8.46	4.10-4.00 pm	7.56

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	94.8	−29.9
U.S. dollar	109.2	+3.1
Canadian dollar	87.4	−17.7
Austrian schilling	111.2	+22.1
Belgian franc	105.6	+8.9
Danish kroner	85.4	−11.8
Deutsche mark	116.2	+37.4
Swiss franc	132.2	+77.3
Guilder	108.0	+13.9
French franc	83.4	−10.8
Lira	57.4	−55.9
Yen	142.2	+36.7

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.576266	0.533785
U.S. $	14	1.16204	1.07664
Canadian $	18.68	1.40266	1.30026
Austria Sch	6¾	19.3968	17.9692
Belgium F	13	44.7618	41.4185
Danish K	11	8.64558	7.99947
D mark	7½	2.74416	2.54088
Guilder	9	3.05036	2.82511
French Fr	9½	6.50626	6.02060
Lira	19	1363.94	1263.71
Yen	6¼	259.600	240.867
Norwgn. Kr.	9	6.75842	6.26069
Spanish Pts.	8	108.720	99.6650
Swedish Kr.	12	5.81543	5.38484
Swiss Fr.	5	2.42773	2.25019
Greek Dr'ch.	20½	—	62.0524

OTHER CURRENCIES

June 4	£	$		£ Note Rates
Argentina Peso	8351-8371	4272-4282	Austria	33.75-34.10
Australia Dollar	1.7200-1.7240	0.8860-0.8865	Belgium	77.20-78.00
Brazil Cruzeiro	167.65-168.65	85.80-86.23	Denmark	14.65-14.80
Finland Markka	8.694-8.705	4.4555-4.4575	France	10.97-11.07
Greek Drachma	113.500-116.890	57.90-58.10	Germany	4.66-4.70
Hong Kong Dollar	10.74-10.76	5.5175-5.5215	Italy	2275-2330
Iran Rial	159.60*	79.25*	Japan	438-444
Kuwait Dinar(KD)	0.540-0.546	0.2797-0.2799	Netherlands	5.19-5.22
Luxembourg Frc.	76.30-76.45	39.34-39.36	Norway	11.37-11.49
Malaysia Dollar	4.5950-4.6050	2.3610-2.3630	Portugal	120-123
New Zealand Dlr	2.2675-2.2725	1.1680-1.1690	Spain	178-189
Saudi Arab. Riyal	6.55-6.61	3.3910-3.3960	Sweden	9.87-9.97
Singapore Dollar	4.21-4.22	2.1625-2.1645	Switzerland	4.13-4.17
Sth African Rand	1.6760-1.6780	0.8635-0.8645	United States	1.94½-1.96
U.A.E. Dirham	7.09-7.15	3.6715-3.6740	Yugoslavia	72-80

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3777	+1.42	+1.42	±1.5361
Danish Krone	7.91917	7.98845	+0.87	+0.87	±1.6413
German D-Mark	2.54502	2.53690	−0.32	−0.32	±1.1386
French Franc	5.99526	5.98207	−0.22	−0.22	±1.3638
Dutch Guilder	2.81318	2.82207	+0.32	+0.32	±1.5159
Irish Punt	0.685145	0.693737	+1.25	+1.25	±1.6688
Italian Lira	1262.92	1261.14	−0.14	−0.14	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 4	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.941	4.685	440.0	11.03	4.160	5.215	2345.	2.350	76.38
U.S. Dollar	0.515	1.	2.414	226.7	5.683	2.143	2.687	1208.	1.211	39.35
Deutschemark	0.213	0.414	1.	93.92	2.354	0.888	1.113	500.4	0.502	16.30
Japanese Yen 1,000	2.273	4.411	10.65	1000.	25.07	9.455	11.85	5328.	5.341	173.6
French Franc 10	0.907	1.760	4.248	398.9	10.	3.772	4.728	2126.	2.131	69.24
Swiss Franc	0.240	0.467	1.126	105.8	2.651	1.	1.254	563.6	0.565	18.36
Dutch Guilder	0.192	0.372	0.898	84.37	2.115	0.798	1.	449.6	0.451	14.65
Italian Lira 1,000	0.427	0.828	1.998	187.7	4.705	1.774	2.224	1000.	1.002	32.58
Canadian Dollar	0.426	0.826	1.994	187.2	4.694	1.770	2.219	997.7	1.	32.50
Belgian Franc 100	1.309	2.541	6.134	576.1	14.44	5.447	6.828	3070.	3.077	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 4)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 5/16	offer 18 7/16	bid 17 3/8	offer 17 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	10-10½	18¾-19	18½-19½	11⅝-11¾	6-7	11½-11⅝	28-35	18-20	14-16	6¼-6¾
7 days' notice	11½-12	19-19¼	18½-19½	11⅝-11⅞	6-6½	12-12⅛	31-35	19½-21½	14-16	6¾-7
Month	12¼-12⅜	18¾-19	19¼-19⅝	11⅞-12	9⅝-9¾	12¼-12⅜	31-35	21½-22½	16½-17¼	7¼-7½
Three months	12⅞-13	18½-18¾	19¼-19⅝	11⅞-12	10⅛-10¼	12⅞-13⅛	27-31	21¾-22¾	16½-17¼	7⅜-7⅝
Six months	13 1/16-13¼	17⅝-17⅞	17⅞-18¼	11⅞-12	10 1/16-10 3/16	13-13⅛	22-26	21½-22½	16½-17¼	7¾-8
One Year	13 1/16-13¼	16⅝-16⅞	16⅝-16⅞	11⅞-12	9½-9⅝	13-13⅛	20-23	21-22	15½-16¼	8¼-8½

SDR linked deposits: one-month 16 7/16-16¾ per cent; three-months 16 5/16-16 7/16 per cent; six-months 15⅝-15¾ per cent; one-year 14¾-15 per cent.

ECU linked deposits: one-month 16 11/16-17 1/16 per cent; three-months 16 5/16-16 11/16 per cent; six-months 15¾-16⅛ per cent; one-year 15¼-15⅝ per cent.

Asian $ (closing rates in Singapore): one-month 18⅝-18¾ per cent; three-months 18 5/16-18 7/16 per cent; six-months 17 5/16-17 7/16 per cent; one-year 16 7/16-16 9/16 per cent. Long-term Eurodollar two years 16-16¼ per cent; three years 15⅞-16⅛ per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.60-18.70 per cent; three-months 18.15-18.25 per cent; six-months 17.10-17.20 per cent; one-year 16.25-16.35 per cent.

INTERNATIONAL MONEY MARKET

German rates steady

The Bundesbank left credit policies unchanged after yesterday's meeting of the central council. The Bundesbank had previously announced that there would be no press conference after the meeting which is normally taken as meaning that key lending rates will be unchanged. Speculation had tended to increase in the market that the authorities would at least increase the special Lombard rate, currently standing at 12 per cent, in view of the continued strength of the dollar based on high U.S. interest rates. The Bundesbank announced that the special Lombard facility would remain open at 12 per cent.

Call money was quoted at 11.90-12.10 per cent.; little changed from Wednesday while longer term rates were unchanged overall.

In Amsterdam interbank money rates were steady following the latest central bank special discount facility which provided Fl 2.65m of liquidity. The interest rate of 11.5 per cent was in the middle of market expectations and sources suggested that market conditions would remain stable as long as the Bundesbank did not take steps to increase West German interest rates. Call money was quoted at 11.25-11.50 per cent while longer term rates showed a slightly easier tendency from the levels seen last week.

UK MONEY MARKET

Firmer trend

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Interest rates were firmer in the London money market yesterday, reflecting the sharp decline in sterling and fears of a possible rise in MLR. These fears proved to be unfounded as MLR was left at 12 per cent. Nevertheless three-month Sterling CDs finished at 12⅝ per cent compared with 12⅜ per cent on Wednesday and three-month interbank money rose to 12⅞ per cent from 12 7/16 per cent. In the money market day to day credit was in adequate supply and the authorities did not intervene.

The market was faced with a small amount of bills maturing in official hands but this was countered by a small excess of Government disbursements over revenue transfers to the Exchequer and a small decrease in the note circulation. Discount houses were paying up to 10¾ per cent for secured call loans at the start but later balances were taken as low as one per cent.

In the interbank market overnight loans opened at 11-11¼ per cent and eased on the flat forecast to 10¾-11 per cent. Rates had eased to around 10 per cent by lunchtime and fell to 5-7 per cent before coming back to 7-9 per cent briefly and closing at 1-2 per cent.

GOLD

Further fall

Gold fell $13 to $459½-462½ in the London bullion market yesterday. The metal opened at $465-468, and touched a peak of $466-468, before falling on expectations of lower oil prices and the continued strength of the dollar. Gold was fixed at $463.75 in the morning and $462.50 in the afternoon, touching a low point of $458-460.

In Paris the 12½ kilo gold bar was fixed at FFr 96,500 per kilo ($531.18 per ounce) in the afternoon, compared with FFr 96,000 ($530.35) in the morning, and FFr 96,750 ($537.46) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,625 per kilo ($463.98 per ounce), against DM 36,090 ($475.03) previously, and finished at $461-464, compared with $474-477.

In Zurich gold closed at $461-$464, against $474-477.

	June 4		June 3	
Gold Bullion (fine ounce)				
Close	$459½-462½	(£235¾-238¼)	$472½-475½	(£234½-236)
Opening	$465-468	(£235½-237)	$473-476	(£233-234½)
Morning fixing	$463.75	(£237.638)	$474	(£234.190)
Afternoon fixing	$462.50	(£236.755)	$475.50	(£236.746)
Gold Coins				
Krugerrand	$478-479	(£246-246½)	$488½-489½	(£242¼-242¾)
1/2 Krugerrand	$246-247	(£126¾-127¼)	$251¾-252¾	(£124¾-125¼)
1/4 Krugerrand	$125½-126½	(£64½-65)	$128½-129½	(£63¾-64¼)
1/10 Krugerrand	$51½-52½	(£26½-27)	$52½-53½	(£26-26½)
Mapleleaf	$471-472	(£242½-243)	$480-482	(£238-239)
New Sovereigns	$116½-117½	(£60-60½)	$119-119¾	(£59-59½)
King Sovereigns	$125-126	(£64-65)	$126-128	(£62½-63½)
Victoria Sovs	$125-126	(£64-65)	$126-128	(£62½-63½)
French 20s	$119-125	(£61¼-64¼)	$122-128	(£60½-63½)
50 pesos Mexico	$574-581	(£295½-299)	$586-593	(£290½-294)
100 Cor. Austria	$446-451	(£229½-232¼)	$455-461	(£225¾-228¾)
$20 Eagles	$572-576	(£294½-296½)	$578-582	(£286¾-288¾)

MONEY RATES

NEW YORK

Prime Rate	20-20½
Fed. Fund	20-20¼
Treasury Bills (13-week)	15.94
Treasury Bills (26-week)	14.74

GERMANY

Special Lombard	12.0
Overnight Rate	11.975
One month	12.95
Three months	13.30
Six months	13.40

FRANCE

Intervention Rate	22
Overnight Rate	20
One month	—
Three months	—
Six months	—

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.1275
Bill Discount (three-month)	7.46875

LONDON MONEY RATES

June 4 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ‡	Eligible Bank Bills ‡	Fine Trade Bills ‡
Overnight	—	1-11¼	10-11	—	—	6-10½	1-10⅞	—	—	—
2 days notice	—	—	11½-11¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10½-11⅝	11⅝-11⅞	—	12	11⅛-11½	10-11¼	—	—	—
One month	12⅛-12	11¼-12⅜	12¼	13¼-13	12⅝	12½-12⅞	11½	11⅝	11 13/32-11 11/32	12½
Two months	12 3/16-12 1/16	11½-11⅝	—	13⅜-13	12⅞	12⅞	11⅝	11⅝-11⅜	11 11/32	12⅝
Three months	12 11/16-12 9/16	12⅝-12⅞	12⅝	13⅜-13	13	13	11¾	11⅝-11⅜	11 31/32-12	12¾
Six months	12 13/16-12 11/16	12⅞-13 1/16	12¾	13-12⅝	13¼	13¼	—	—	12 7/16	12¾
Nine months	13-12⅞	12⅞-13⅛	—	13⅝-13¼	13⅜	13⅜	—	—	—	—
One year	13 3/16-13 1/16	13-13⅜	13	13⅜-13⅛	13⅜	13⅛	—	—	—	—
Two years	—	—	13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾ per cent; four years 13⅞ per cent; five years 14 per cent. ‡Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 3/32-12⅛ per cent; four-months trade bills 12⅝ per cent.

Approximate selling rate for one-month Treasury bills 11½ per cent; two-months 11½ per cent; three-months 11½ per cent. Approximate selling rate for one-month bank bills 11 19/32-11⅝ per cent; two-months 11¾-11 13/16 per cent; three-months 11 27/32-11⅞ per cent; one-month trade bills 12¼ per cent; two-months 12⅜ per cent and three-months 12½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4452 per cent.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 3, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.50
Albania	Lek	5.0154
Algeria	Dinar	4.1875
Andorra	Fr. Franc	5.6025
	Sp. Peseta	93.47
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7025
Argentina	Peso	4264.00
Australia	Dollar	0.8797
Austria	Schilling	16.70
Azores	Port. Escudo	62.30
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	93.47
Bangladesh	Taka	14.851
Barbados	Dollar	2.01
Belgium	Franc (C)	38.56
	Franc (F)	39.35
Belize	Dollar	2.00
Benin	C.F.A. Franc	280.125
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	8.50
Bolivia	Peso	24.75
Botswana	Pula	0.8571
Brazil	Cruzeiro	86.00
Brunei	Dollar	2.157
Bulgaria	Lev	0.933
Burma	Kyat	6.6446
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	280.125
Canada	Dollar	1.2072
Canary Is.	Sp. Peseta	93.47
Cape Verde	Escudo	36.51
Cayman Is.	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	280.125
Chad	C.F.A. Franc	280.125
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.7523
Colombia	Peso (O)	53.61
Comoros	C.F.A. Franc	280.125
Congo P'ple.Rep.of	C.F.A. Franc	280.125
Costa Rica	Colon (O)	8.60
Costa Rica	Colon	17.03
Cuba	Peso	0.7313
Cyprus	Pound*	2.3386
Czechoslovakia	Koruna (O)	5.80
Denmark	Krone	7.4435
Djibouti Rp. of	Franc	178.15
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	30.35
Egypt	Pound*	1.4493
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	186.94
Ethiopia	Birr (O)	2.0633
Faeroe Is.	Dan. Krone	7.4435
Falkland Is.	Pound*	2.0138
Fiji	Dollar	0.8568
Finland	Markka	4.409
France	Franc	5.6025
Fr. C'ty in Af.	C.F.A. Franc	280.125
Fr. Guiana	Franc	5.6025
Fr. Pac. Is.	C.F.P. Franc	99.3147
Gabon	C.F.A. Franc	280.125
Gambia	Dalasi	1.9863
Germany (E)	Ostmark (O)	2.3632
Germany (W)	Mark	2.3632
Ghana	Cedi	2.75
Gibraltar	Pound*	2.0138
Greece	Drachma	57.50
Greenland	Dan. Krone	7.4435
Grenada	E. Caribbean $	2.7025
Guadaloupe	Franc	5.6025
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	37.8809
Guinea Rep.	Syli	21.2523
Guyana	Dollar	2.606
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.479
Hungary	Forint	34.05
Iceland	Krona	6.527
India	Rupee	8.50
Indonesia	Rupiah	629.00
Iran	Rial (O)	77.45
Iraq	Dinar	0.2999
Irish Rep	Punt*	1.5535
Israel	Shekel	10.59
Italy	Lira	1172.95
Ivory Coast	C.F.A. Franc	280.125
Jamaica	Dollar	1.7834
Japan	Yen	223.95
Jordan	Dinar	0.3343
Kampuchea	Riel	n.a.
Kenya	Shilling	8.7384
Kiribati	Aust. Dollar	0.8797
Korea (Nth)	Won	0.94
Korea (Sth)	Won	683.10
Kuwait	Dinar	0.2794
Lao P'ple D. Rep	Kip	10.00
Lebanon	Pound	4.16
Lesotho	Loti	0.8565
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	2.091
Luxembourg	Lux Franc	38.55
Macao	Pataca	5.7006
Madagascar D. R.	Franc	280.125
Madeira	Port. Escudo	62.30
Malawi	Kwacha	0.8962
Malaysia	Ringgit	2.3525
Maldive Is.	Rupee	3.95
Mali Rp.	Franc	560.25
Malta	Pound*	2.5267
Martinique	Franc	5.6025
Mauritania	Ouguiya	56.025
Mauritius	Rupee	8.6093
Mexico	Peso	24.225
Miquelon	Fr. Franc	5.6025
Monaco	Fr. Franc	5.6025
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	5.2853
Mozambique	Metica	29.273
Namibia	S.A. Rand	0.8565
Nauru Is.	Aust. Dollar	0.8797
Nepal	Rupee	12.00
Netherlands	Guilder	2.623
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.1534
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	280.125
Nigeria	Naira (O)	0.5294
Norway	Krone	5.8155
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.86
Panama	Balboa	1.00
Papua N.G.	Kina	0.6798
Paraguay	Guarani	126.00
Peru	Sol	412.18
Philippines	Peso	7.795
Pitcairn Is.	N.Z. Dollar	1.1534
Poland	Zloty (O)	31.00
Portugal	Escudo	62.30
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	5.6025
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	2.0138
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	5.6025
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	1.012
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1172.95
Sao Tome & Principe DR	Dobra	38.9571
Saudi Arabia	Riyal	3.389
Senegal	C.F.A. Franc	280.125
Seychelles	Rupee	7.1627
Sierra Leone	Leone	1.1768
Singapore	Dollar	2.157
Solomon Is.	Dollar	0.8811
Somali Rep.	Shilling	6.295
South Africa	Rand	0.8568
Spain	Peseta	93.47
Span. Ports in N. Africa	Sp. Peseta	93.47
Sri Lanka	Rupee	18.8719
Sudan Rep.	Pound* (2)	2.00
Sudan Rep.	Pound* (1)	1.25
Surinam	Guilder	1.785
Swaziland	Lilangeni	0.8565
Sweden	Krone	5.0085
Switzerland	Franc	2.091
Syria	Pound	3.9262
Taiwan	Dollar (O)	35.47
Tanzania	Shilling	8.3573
Thailand	Baht	20.72
Togo Rep.	C.F.A. Franc	280.125
Tonga Is.	Pa'anga	0.8797
Trinidad & Tobago	Dollar	2.4063
Tunisia	Dinar	0.5117
Turkey	Lira	104.68
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8797
Uganda	Shilling	8.3168
Utd. A'b. Emir.	Dirham	3.672
Utd. Kingdom	Pound Sterling*	2.0138
Upper Volta	C.F.A. Franc	280.125
Uruguay	Peso	10.67
U.S.S.R.	Rouble	0.7658
Vanuatu	Vatu (5)	90.6455
Vanuatu	Aust. Dollar	0.8797
Vatican	It. Lira	1172.95
Venezuela	Bolivar	4.2931
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3415
Yugoslavia	Dinar	33.3518
Zaire Rp.	Zaire	3.86
Zambia	Kwacha	0.8818
Zimbabwe	Dollar	0.6711

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.
(4) Costa Rica—Two-tier rate effective 24/4/81.
(5) Vanuatu—100 vatu = 6.1875 French francs since 1/1/81. Aust. dlr. being phased out over next two years.
(6) Argentina: June 2 Peso devalued by 30 per cent with a further devaluation during June.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

All is not lost in UK machine tools

BY GEOFFREY CHARLISH

SOME INTERESTING evidence that all is not lost in the UK *machine tool industry* is being quietly provided — albeit on a small scale — by BMG Pierce-All, a privately owned 70-employee company in Slough.

Since its foundation in 1968 this company has been gamely fighting off American, German and Japanese competition in an increasingly significant market segment — sheet metal fabrication.

That market segment is a growth area simply because the electronics industry is a growth area. Systems ranging from word processors to electronic telephone exchanges need little in the way of turned or milled parts but they are providing a growing demand for machines that can efficiently and flexibly produce sheet metal components such as punched front panels, cabinets and racks.

Ventilating, heating and air conditioning is offering similar rewards as comfort demands grow in housing, office and factory.

On the other hand machine tools for making components in traditional mechanical engineering are nowadays offering fewer opportunities. Indeed, the microprocessor, elbowing aside more and more purely mechanical devices and systems, is accelerating the trend.

But these newer, growing markets have also been identified by such companies as Trumpf in Germany, Strippit and Wiedermann in the U.S. and — *a potent newcomer when it* entered the UK market four years ago — Amada of Japan.

BMG Pierce-All is, perhaps, a *tenth of the size in turnover* terms of any of these and has in the last couple of years been battling to keep its production costs down and specification up under the eagle eye of its new production and engineering director, John Nobles, an ex-army major who is both an electrical and mechanical engineer.

"Specification" in the sheet metal punching/nibbling business *really means speed* (the number of hits the punching *head can make per minute*), capacity (the sheet size that can be accommodated and its thickness), flexibility (quick, easy change of tool and job), reliability, safety and lifetime.

In the design of the company's latest "Pulsa 10" computer-controlled machine Nobles has taken the "buy and assemble" approach avoiding what he sees as pointlessly expensive in-house manufacture of component parts such as lead screws, guide rails, turrets, beams and so on.

Some of these though, are made by another company in the group, BMG Engineering of Swindon.

In addition, advice in the electronics area (which was a closed book to the company *until a few years ago*) has been forthcoming from another group member.

BMG Microsystems which has recently become a top-end microcomputer supplier to the UK Government. This sister company is supplying units for programming the tapes used by Pulsa 10.

For the main machine-tool control, however, BMG Pierce-All has closely co-operated with Westinghouse and has to a significant degree provided the U.S. company with an entry to Europe for its "Producer" CNC control.

Programs can be placed in Producer's memory from cassette, paper tape or from the front panel using the screen and its operator-assist prompts.

With relatively few instructions and numerical entries the operator can "record" hole *punching routines*, straight line nibbling, arc contour nibbling, box nibbling, hole repeats and "bolt hole circles" in which it is only necessary to specify the pattern centre, the circle radius, starting angle from datum and the number of holes. The machine will then punch properly spaced holes round the circle.

The punching machine has a 30-station tool turret which is servo-controlled and driven by *continuous belts. The turret* can move at 15 rpm in either direction resulting in rapid indexing of any tool for the next *operation.*

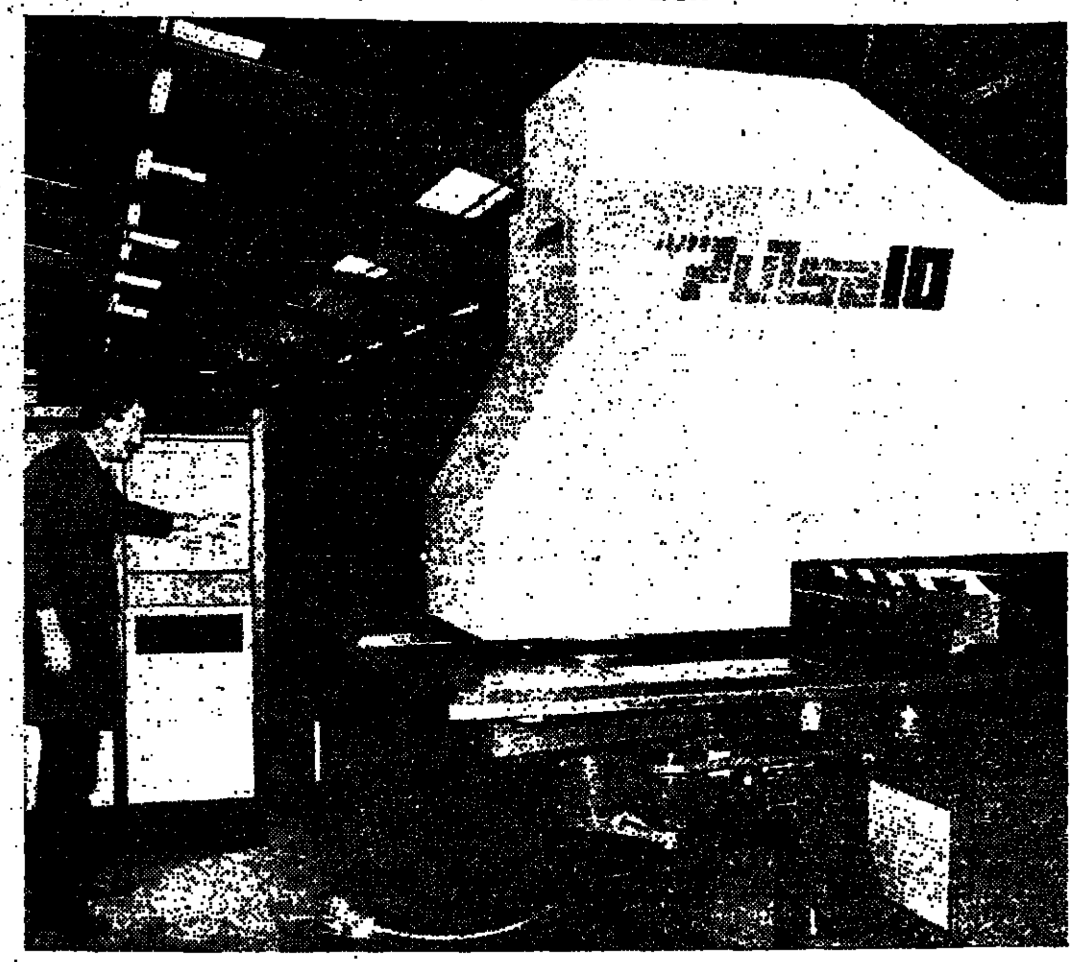
A further speed contribution is made by the flying beam which moves in X and Y axes while gripping the sheet that is being punched.

Its momentum has been sharply reduced by using aluminium; in conjunction with thrust bearings on the sliders the beam can move to its maximum speed of about 700 mm/sec within 16 mm of traverse — the sheet moves over rotating ball supports and considerable agility results.

Punching energy is supplied hydraulically from a flywheel-aided 15 hp motor and forces of up to 30 tonnes can be produced: mild steel of up to ¼ in thickness can be dealt with and the maximum sheet weight is 100 kg. Holes can be punched to a repeatability of 0.13 mm.

At the moment, BMG Pierce-All has to be seen in the "we try harder" category. It is operating at one-tenth of the turnover of Trumpf, for example, and mentions a turnover growth rate of 8 to 10 per cent, whereas the German company claimed 18 per cent last year.

But its sales-per-employee figure—in the £50,000 bracket, and rising — seems exemplary. BMG Group marketing director, Tom Richardson, makes the point: "This is a section of the market that is genuinely growing." Product excellence and low overheads are the two cards he is playing, and the company's current restyling may yet prove that "small is beautiful."



Pulsa 10, the latest computer controlled punching, nibbling and notching machine from BMG Pierce-All. *Hugh Routledge*

Japan leads on man-made islands

REPRESENTATIVES OF a Japanese industrial "think-tank" called the Kozai Club have just visited the Institution of Mechanical Engineers in London, to learn more of a conference and exhibition planned for this autumn. They convinced the organisers that Japan is the world's leader in the subject to be debated.

That subject is industrial islands: conducting commercial operations offshore, on man-made islands that may range in size from an oil platform to an entire factory.

Behind the idea of the meeting is Mr John Allen, chief future projects engineer with British Aerospace, who is responsible for the design team at Kingston exploring the supersonic "jump-jet."

The trick of success in discussing future projects is to work up an intellectual ferment without alienating people by going too far out, says Allen.

He admits, however, that he was astonished by the progress already made in Japan with industrial islands. The Kozai Club's offshore development *mission readily agreed to* tell the world in November why and how it is colonising the seas round Japan.

*Allen's interest, as an aero*nautical engineer, starts with the need to find new places to put international airports. Japan has already put to sea with the new airport at Nagasaki.

But Nippon Kokan (NKK) has built an entire integrated steel works on an artificial island one kilometre offshore. The island, off Yokohama, is called Ohgishima, and is linked to the mainland and NKK's older works by a submarine tunnel. It has been making steel for nearly two years.

The artificial island gives new meaning to the concept of a "greenfield" site, for it can be free from the geographical constraints of any land site, says Allen.

Early in the Second World War the Habbakuk project was taken very seriously for a time by Winston Churchill.

Habbakuk was an airfield of ice, far bigger than any contemporary carrier, which might have been floated down the west coast of France to *assist an assault on Europe.*

Commercial radio in Britain was pioneered from an offshore island in the shape of an old sea fort, from which Radio Caroline, the pirate radio station, came on the air.

But the attractions of the North Sea as an offshore oilfield has put Britain at the centre of international development of offshore resources and the engineering of small "islands" for hostile waters.

The technology may be adaptable to offshore power generation, particularly from wind. *Aerogenerators on artificial* islands may alleviate such problems as noise, TV interference, and the variable wind speeds encountered onshore.

Other energy sources which congested countries find increasingly *difficult in siting* on-shore — notably nuclear energy—may be more conveniently found homes on man-made islands.

Japan has already located a coal mine on such an island. Westinghouse Electric and Tenneco launched a joint venture, Offshore Systems, to *develop offshore nuclear* stations, but fell foul of U.S. problems in the 1970s in *licensing new nuclear plant.*

John Allen wants the conference on industrial islands, from November 17-19, to *revive discussion of such far*-reaching concepts as Pilkington's "Sea City" of the 1960s. Such concepts are already *taking shape, Allen claims.*

One is Port Island, off Kobe, Japan, where Portopia '81 opened this spring to *commemorate completion of* "a new cultural city on the sea."

Port Island is a seaport for 20,000 people, measuring three by 2.1 kilometres. It has cost $2.5bn and 15 years' work to complete, and has given Japan the world's biggest facility for handling container ships. Another, bigger man-made island called Rokko, in the same harbour, is scheduled for completion in 1985.

As Allen sees it, most industrialised nations — of which Japan is perhaps the most extreme example—have considerable pressure on space to accommodate both industry and public aspirations for better environment. Some countries, of which Britain is one, have the engineering skills and resources *in offshore engineering to* help hard-pressed nations colonise the seas.

As with his studies for British Aerospace of the future of supersonic vertical take-off, his sights are set well into the 21st century. But he *believes that the technology* has already matured to a point where it is time to tackle the problems of *national and international* collaboration, funding, and the legal status of new islands up to —even beyond *200 miles from a nation's* shores.

DAVID FISHLOCK

Kappa for sticking

A COMPACT unit called Kappa is available from Liquid Controls of Wellingborough (0933 77571) for the accurate handling of very small amounts of two component potting, sealing and encapsulation materials.

The machine weighs only 50 kg and can deliver shots down to 0.03 cu cm with ratios of *the two parts ranging from* 1:1 to 20:1, with easy adjustment.

Kappa is particularly suitable for epoxy, silicone, polyurethane, polyester, acrylic and phenolic resin systems up to 300,000 cps viscosity.

Full controls are provided and a number of ancillary facilities such as heating, degassing and automatic cycling can be supplied as extras. The unit needs only an air supply and mains electricity.

Hardening bow-saw strip

INDUCTELEC OF *Sheffield* has introduced a new bow saw/strip hardening machine which incorporates a radio frequency generator *to harden continuously* bow saw strip teeth.

A handling unit takes the coil of new stock, feeds it into the *rf generator coil and a take-up* spool recoils it under tension.

For bow saw strip, the machine can heat and quench 4 *to 8 point strip automatically* at speeds of up to 20 feet a minute. Inductelec is on 0742 23369.

See what you just said

LANIER, THE office equipment company, has introduced what must be the most sophisticated dictating machine ever. It is basically a computer to which can be attached a number of separately wired dictation handsets—and the office telephone system.

The advantage this gives is control—the computer can be used to give an instant readout —on a visual display unit—of the number of documents recorded over a given period, their length and who made the recording, together with an indication of urgency.

According to Lanier: "Information can be retrieved from the system in blocks called 'Multi-Sort' which lets you create your own customised reports: data on all the dictation from, say, the marketing department for the last month, the dictation of any one individual for the last year, or all the work completed by a particular typist over the last week."

The system is equipped with the facility to print out data about the dictated material at 63 lines a minute.

The system is called "Super-Vision 111" and is likely, according to Lanier, to be chiefly of interest to government departments and commercial concerns which process a large number of documents. Lanier is on 01-549 8741.

U.S. software costs

EUROPEANS SHOULD avoid software written in the U.S. is the message from Dan Trimmer, an ex-IBM employee and now an independent computer consultant.

Trimmer's advice might seem a cry in the wilderness when seen against the overwhelming preponderance of U.S. software (chiefly systems software) running on European-based computers, but his logic is simple.

Formulated as "Trimmer's Law," his argument goes: in the U.S., programmers cost twice as much as in the UK while the *hardware to run their programs* costs just two-thirds of the UK price.

The result, he argues is a *three-to-one difference* in the cost-effectiveness ratio in terms of people to hardware costs.

So Trimmer says, no wonder U.S. software is large, cumbersome and hardware-hungry.

Perhaps Trimmer is only articulating what everybody knows instinctively: he explores *the real economics of data processing* at a Xephon seminar later this month. Details 0628 74924.

Accuracy in diesel pump testing

GREATER accuracy in diesel fuel pump testing times are *claimed for the Hartridge 2500* test stand introduced by Leslie Hartridge, a Lucas company, of Buckingham (028 02 3661).

Described as fitted with the Hartridge "Piston in Graduate" metering system, the company says that pump output can be *measured in less than a quarter* of the time of conventional systems.

The 2500 is a test stand for automotive, agricultural and truck diesel pumps. It is fitted with a 10 hp thyristor controlled d.c. stepless drive system with a maximum speed of 4,000 revs per minute in eight seconds and an equivalent speed of deceleration.

WORLD STOCK MARKETS

Mixed early Wall St showing

STOCKS ON Wall Street put on a mixed performance yesterday morning in a fairly active trade.

Analysts said the market continued to be restrained by concern about the recent high level of interest rates, and was also uncertain about the outcome of the Administration's tax cut proposals.

The Dow Jones Industrial Average was 3.06 easier at 986.65 at 1 pm, but the NYSE All Common Index recorded an improvement of 13 cents at $76.00 and gains outscored declines by a small margin. Turnover came to 36.54m shares, failing to match Wednesday's 1 pm level of 41.03m.

Oil stocks, particularly weak of late, managed to pick up early yesterday. Atlantic Richfield gained 3/4 to $42 3/8 in active trading, while Mobil firmed 5/8 to $55 3/8 and Exxon 3/8 to $65 1/4. Standard Oil of California put on 3/8 to $37 1/2, Gulf Oil 3/8 to $31 3/8 and Standard of Indiana 3/4 to $51 3/8. Standard Oil of Ohio, which completed its acquisition of Kennecott yesterday, was up 3/8 at $43 3/4.

British Petroleum, however, still weak on expectations that Britain may be forced to reduce its oil prices, slipped 3/8 to $29 3/8.

THE AMERICAN SE Market Value Index was 0.48 firmer at 369.32 at 1 pm after volume of 4.35m (5.39m) shares.

Oils were prominent among the active issues, with volume leader Houston Oil up 5/8 to $26 1/4 but Hudson's Bay Oil and Gas off 3/8 to $29 5/8. Ranger Oil added 1/4 to $11 3/4.

Consolidated Oil and Gas rose 1 1/8 to $16 1/4 in active trading. It said it will resume its previous attempt to repurchase 1,250,000 of its shares.

Canada

Shares displayed an easier bias after active early dealings. The Toronto Composite index was off 4.0 at 2,352.7 at noon, while Golds shed 85.7 to 4,168.9 and Oil and Gas 6.8 to 4,848.5.

Most active Noranda Mines was off 1/2 at C$34 3/8 on volume of 5,747,984m shares. Brascan said it bought 5.5m Noranda shares, raising its interest in the company to about 20 per cent.

Tokyo

Further profit-taking concentrated in recently strong Blue Chips and large-capital issues kept the market on a downward track yesterday, but trading was only moderate.

Many investors remained discouraged by uncertainty over the future direction of U.S. interest rates and also recent foreign exchange market developments.

Brokers said most domestic investors, who had been counting on stepped-up foreign investor activity to boost the market, were apparently disappointed. There is a growing belief that foreign investors may not return in the near term because of the continuing retreat of the yen in foreign exchange markets.

The Nikkei-Dow Jones Average ended 67.34 lower at 7,413.24 for a three-day retreat of about 177 points. The Tokyo SE index lost 4.24 more at 553.07, while falls outnumbered rises on the First Market section by 327 to 250. Trading volume further decreased to 320m shares from Wednesday's 450m.

A further sharp setback occurred in Sony, down Y230 at Y5,270, while Pioneer Electronic weakened Y90 to Y3,740, Matsushita Electric Y50 to Y1,680, Sanyo Electric Y37 to Y648, Nippon Electric Y23 to Y787, Ricoh Y22 to Y762, Canon Y60 to Y1,460 and Olympus Y60 to Y1580.

Steels and Heavy Electric Machines were also sold, but Oils and other Natural Resources recovered on bargain hunting after sharp losses in the past few days.

Hitachi dipped Y25 to Y675, Mitsubishi Electric Y17 to Y345, Sumitomo Metal Y5 to Y271 and Mitsubishi Heavy Y8 to Y287, but Nippon Oil rallied Y18 to Y881 and Koa Oil Y15 to Y455.

Motors and Pharmaceuticals were mixed, with Nissan Motor up Y30 to Y875, Takeda Y6 to Y788 and Yamanouchi Pharmaceutical Y30 to Y1,170, but Honda Motor down Y40 to Y1,140 and Daiichi Pharmaceutical also Y40 lower at Y780.

Paris

The market was generally easier on political developments in France despite further support action by institutional investors.

Government measures on Wednesday to increase social benefits, which may fuel inflation, and yesterday's announcement of an electoral pact between Socialists and Communists further depressed sentiment.

Also worrying investors was the renewed strength of the dollar, which surged to a new all-time high level at yesterday's official Paris fixing.

Institutional investors were intervening in the market to slow the downward movement, but falls led gains by 124 to 50 in the French section.

Oil stocks were heavily sold following statements made on Wednesday to the effect that the new Mitterrand Administration intends to impose a special levy on oil companies' profits to help finance the increased social benefits. Elf Aquitaine fell FFr 42 to FFr 564 after weakening FFr 69 the previous day.

Germany

The recent firming tendency continued yesterday in lively trading, with brokers pointing to recently encouraging West German economic indicators as rekindling hope that the economy will recover soon. The Commerzbank index added 4.9 at 713.1 for a four-day rise of 17.0. However, trading slackened later in the session and some gains were trimmed by profit-taking.

News on Wednesday of a 6.5 per cent rise in April order inflow to the West German industry from March, coupled with the DM 3.301bn April trade surplus had boosted investor confidence in West German shares, brokers said. They added that steady to higher prices on the West German Bond markets also prompted buying activity that included foreign investors.

Among Engineers, Linde rose DM 3 more to DM 317 and GHH DM 3.50, but Deutsche Babcock lost DM 2.60.

Hong Kong

Share prices continued to recede on general profit-taking after the market's hectic rise to an eight-year high at the beginning of the week.

The Hang Seng index shed 30.70 more to 1,681.17 for a two-day decline of 50 points. Dealers said that although they expect to see a further slide, especially just ahead of the weekend, support should come back if the index slipped to around the 1,650 mark. Turnover amounted to a substantial HK$688.92m on the four stock exchanges, but was below the recent heavy levels.

Australia

Markets again showed no decided trend after rather quiet trading.

Leader BHP climbed 35 cents to A$15.45, but CSR despite sharply higher profits, receded 22 cents to A$6.54 on investor disappointment that no scrip issue was announced.

Johannesburg

Gold shares tended to ease in quiet trading with the Bullion price. Heavyweight Western Holdings featured with a fall of R3.50 to R77.00.

Mining-Financials were generally firmer, however, with Anglo Vaal gaining 50 cents at R48.80 despite lower group dividends.

Closing prices for North America were not available for this edition.

CANADA

Stock	June 3	June 2
Abitibi	27	27
Agnico Eagle	12 1/4	12 1/2
Alcan Alumin	38 1/2	38 1/2
Algoma Steel	47 1/2	48
Asbestos	38 1/2	38 3/4
Bk Montreal	28 3/8	28 1/2
Bk Nova Scotia	28 5/8	28 3/4
Basic Resources	11 1/4	11 1/2
Bell Canada	19 3/8	19 3/8
Bow Valley	18 1/2	18 3/4
BP Canada	45 3/4	43 3/4
Brascan A	33 1/4	32 7/8
Brinco	9 1/4	9 3/8
B. C. Forest	18 5/8	18
CadillacFairview	43 1/2	45 1/4
Camflo Mines	31 1/2	32 1/4
Can Cement	14 3/4	14 3/4
Can NW Lands	40 1/4	40 1/8
Can Packers	35 1/2	35 1/4
Can Perm Mtg	27 3/4	27 3/4
Can Trusco	28 1/8	28 1/2
Can Imp Bank	29	29
Cdn Inds	36 1/2	35 3/4
Cdn Pacific	48 1/4	46 1/2
Can P. Ent	23 7/8	24 1/4
Cdn Tire	33 1/4	33 1/4
Cherokee Res	9 1/2	9 1/2
Chieftain	22 3/4	23
Cominco	68 7/8	69 3/8
Cons Bathst A	27 1/8	27 5/8
Coseka Res	19 3/4	20 1/2
Costain	12 7/8	13 1/8
Daon Devel	12 1/4	12 3/8
Denison Mines	43 1/8	43 1/4
Dome Mines	26 1/2	27
Dome Petroleum	22	20 7/8
Dom bridge	26 5/8	26 1/2
Dom Foundries A	47 3/8	47 1/4
Dom Stores	23	22 3/4
Domtar	35 7/8	36
Falcon Nickel	100	100
Genstar	37 1/8	36 3/4
Gt.-West Life	250	250
Gulf Canada	26 1/2	26 5/8
Gulfstream Res	7 5/8	7 3/4
Hawk Sid. Can	23	22 5/8
Hollinger Argus	48 1/2	48 1/2
Hudson Bay Mng	30 1/8	30 1/2
Hudson's Bay	26 3/8	26 1/4
do. Oil & Gas	37 3/8	32 7/8
Husky Oil	17 1/4	16 7/8
IAC	11 1/4	11 1/8
Imasco	36	36 1/2
Imp Oil A	35	34 7/8
Inco	26 1/4	26
Indal	17	17
Inter. Pipe	15 3/8	15 1/4
Mac Bloedel	43 1/4	43 3/4
Marks & Spencer	11	11
Massey Ferg	4.50	4.50
McIntyre Mines	61 1/2	61 1/2
Morland Explor	9 1/4	9 3/8
Mitel Corp	43 3/4	43 1/4
Moore Corp	43 3/4	44
Mountain State	14 1/2	14 1/2
Nat. Sea Prods A	10 1/8	10 1/8
Noranda Mines	34 7/8	34 1/2
Nthn. Telecom	49 3/4	50
Oakwood Pet	20 3/8	20 3/4
Pacific Copper	3.50	3.70
Pan can Petrol	92	93
Patino	50 1/8	50 1/8
Placer Dev	24	24 1/8
Power Corp	22 3/4	22 3/4
Quebec Strgn	4.30	4.30
Ranger Oil	13 7/8	14 1/8
Reed Stenhs A	11 7/8	12
Rio Algom	39 1/2	39 5/8
Royal Bank	29 7/8	29 5/8
Royal Trustco A	19 1/2	19 1/2
Sceptre Res	15 3/8	15 3/8
Seagram	62 5/8	62 1/8
Shell can Oil	27 1/4	27 1/4
Steel of Can A	36 5/8	36 3/4
Teck B	19 7/8	19 7/8
Texaco Canada	33 1/4	30 3/4
Thomson NewsA	22 3/4	22
Toronto Dom Bk	32	31 1/4
Transcan Pipe	24 1/8	24 3/8
Trans Mntn. Oil A	11 1/2	11 5/8
Utd Sisco Mines	18	18
Walker (H) Res	—	—
Westcoast Trans	[illegible]	[illegible]
Weston (Geo)	[illegible]	[illegible]

Indices

NEW YORK

DOW JONES

	June 3	June 2	June 1	May 29	May 28	May 27	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
◆Industr'ls	989.71	987.48	987.86	991.75	994.25	995.14	1024.05 (27/4)	931.57 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	60.27	58.99	60.31	60.06	59.69	58.47	65.78 (16/1)	58.57 (7/5)	—	—
Transport	422.22	428.63	430.92	435.79	437.97	436.91	447.38 (16/4)	378.12 (20/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	105.56	106.22	107.53	107.67	107.66	107.60	117.81 (5/1)	103.99 (5/5)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	54,700	53,850	62,170	51,860	59,500	58,730	—	—	—	—

◆Day's high 993.14 low 976.82

Ind. div. yield %	May 29	May 22	May 15	Yearago (approx
	5.61	5.77	5.81	6.19

STANDARD AND POORS

	June 3	June 2	June 1	May 29	May 28	May 27	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	147.48	147.31	149.31	149.50	150.61	151.18	157.02 (6/1)	143.76 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	130.71	130.62	132.41	132.59	133.45	133.77	138.12 (6/1)	128.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	May 27	May 20	May 13	Year ago (approx
Ind. div. yield %	4.62	4.67	4.70	5.30
Ind. P/E Ratio	9.37	10.81	9.91	7.77
Long Gov. Bond Yield	13.01	13.22	13.72	10.15

N.Y.S.E. ALL COMMON

June 3	June 2	June 1	May 29	1981 High	1981 Low
75.87	75.89	76.91	76.99	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 3	June 2	June 1
Issues Traded	1,888	1,937	1,943
Rises	645	465	893
Falls	847	1,151	718
Unchanged	396	321	332
New Highs	41	68	173
New Lows	71	58	38

MONTREAL	June 3	June 2	June 1	May 29	1981 High	1981 Low
Industrials	402.50	398.72	402.18	406.17	409.58 (27/5)	356.26 (20/2)
Combined	371.85	368.92	370.49	373.10	376.16 (27/5)	339.34 (20/2)
TORONTO Composite	2356.7	2346.1	2362.1	2371.2	2378.8 (10/4)	2151.4 (20/2)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Amer. Airlines	679,800	21 1/4	+1 1/8
Atlantic Richfld.	626,100	41 3/8	− 1/8
Kennecott	622,400	61 3/8	+ 1/8
IBM	608,900	59 7/8	− 3/4
Texaco	551,300	30	—
Sony	545,600	24 1/2	− 7/8
N.L. Industs.	536,000	34 1/4	− 1/2
Eastern Air Lines	535,100	12 3/4	+ 1/2
Std Oil Indiana	489,300	50 1/2	+ 3/4
Mobil	488,000	54 1/4	—

COMMODITIES AND AGRICULTURE

Mixed reaction to £ fall

BY JOHN EDWARDS, COMMODITIES EDITOR

THE FALL in the value of sterling, against the dollar, had a mixed effect on metal and commodity markets yesterday. Although the weaker pound was generally an underlying firmer influence, falling values in the U.S. markets were an offsetting factor.

The most notable example was coffee where prices plunged to the lowest level since April 1976. On the London robusta futures markets the September position lost £40 to £878.5 a tonne.

Dealers said the decline mainly reflected a downturn in New York, because of the stronger dollar, although there were rumours of proposals by Brazil to step up export sales prior to possible moves by the International Coffee Organisation to restrict global exports still further.

World sugar prices were lower too. The London daily price for raw sugar was cut by £10 to £210 a tonne and on the futures market the October position fell by £6.35 to £210.40 a tonne. The decline was described by dealers as primarily a technical reaction to the recent surge in values, which ended on Wednesday bringing out chart and speculative stop-loss selling.

Cocoa prices, which recently dropped to five-year lows under heavy selling pressure, were marginally up yesterday. But it was pointed out that the drastic fall in the value of sterling meant that any commodity which failed to gain 3 per cent in value had, in fact, declined in real terms.

On the London Metal Exchange tin and nickel prices showed sharp gains reflecting the reduced value of sterling. But there was considerably more uncertainty in other markets. Copper cash wirebars closed only £4.75 up at £857 a tonne. Values were depressed by the decline in gold, the drop in New York, and a general lack of consumer buying interest.

Lead prices actually closed marginally lower, in spite of Amax in the U.S. declaring force majeure on shipments from its plants in Missouri that have been hit by a strike. The company said the force majeure would remain in effect until the strike was settled, Reuter reported.

Zinc was steadier, after the steep decline earlier this week, but the market remains very nervous. Amax said zinc shipments from its Missouri plant would not be cut back, since it had other sources of zinc ore concentrate supplies.

Drop in UK futures trading

By Our Commodities Staff

TRADING ON London's commodities futures markets fell sharply last month compared with May 1980. The total number of lots registered was 380,064 against 492,977 a year earlier.

This took the total for the first four months of the year to 1.54m lots, down from 1.88m. The only markets to show rises in the January-May period were New Zealand wool with 3,658 lots against 1,772, cocoa with 394,187 against 374,177 and soyabean meal with 13,947 against 8,834. Wool turnover has remained particularly buoyant, exceeding the Sydney market last week. It is claimed to be the only futures market operating in two time zones — New Zealand and London.

Robusta coffee trading was down to 260,573 lots from 468,849, raw sugar to 905,835 from 997,868 and rubber to 31,418 from 68,444.

In terms of contract value, raw sugar was way out in front at £10.97bn, but this was still down from £13.38bn in January-May 1980. Next came coca at £2.68bn against £3.7m last year.

Total trading would have fallen even further but for the opening of new markets for potatoes and gas oil. In the potatoes market 13,459 lots worth £39m were traded and in gas oil 29,194 lots worth £845m.

Slim prospects of new tin pact

BY BRIJ KHINDARIA IN GENEVA

PROSPECTS FOR the successful renegotiations of the International Tin Agreement remain slim when talks resume in Geneva next week, because of continuing differences between the U.S. and producing countries.

The three key producers—Malaysia, Thailand and Indonesia, which account for about 65 per cent of world tin exports—have already made clear that they have conceded as much as they are willing. They will be aggressively putting pressure on the U.S. to fall in line with other consumers who have accepted most of the main sections of the new accord drafted by the conference's chairman, Mr Peter Lai.

There are four main unresolved issues between the U.S. and the producers. Firstly, the continuing U.S. policy of selling tin from its strategic stockpile which currently contains about 200,000 long tons—equivalent to a year's world consumption. Second, the size of buffer stock that the new agreement should contain.

Third, the price range to be maintained through buffer stock operations, and fourth the use of export controls by producers.

Mr Lai has made proposals on all four points which now have lukewarm backing from all sides except the U.S. However, that backing might crumble if any element is radically altered undermining the overall package.

Producers feel world prices are unduly depressed because buyers delay purchases on the world market anticipating the U.S. stockpile sales. Producers want the U.S. to stop such sales altogether because of the weak overall demand for tin from its main customers, the steel and car-making industries.

Controversy contiues over the size of buffer stock. The U.S. insists on at least 55,000 tonnes. Mr Lai has suggested a regular stock of 30,000 tonnes backer by an emergency stock of 20,000 tonnes. But a compromise seems possible here.

The price range maintained by buffer stock operations is usually fixed by the Tin Council. Mr Lai has suggested only that the "ceiling" should be 130 per cent of the "floor" price. The range would be divided into three equal slices, and the stock manager would take no action in the middle 10 per cent. In the upper 10 per cent they would sell from stocks to slow down price rises, and would buy for storage in the lower slice to prevent further falls in prices.

Producers are keen to retain the existing accord's provisions allowing use of export controls at times of excessive world supplies. Mr Lai has suggested that export controls may be used for a limited period when the buffer stock reaches 40,000 tonnes. The Council would then fix a total export tonnage allowed to all sellers and have a right to ask producer to cut back its exports.

The U.S. strongly opposes use of export controls but has indicated willingness to accept them if producers make concessions on the overall package.

Exporters' organisation plan

JAKARTA — Tin exporters will consider creating an organisation of tin exporting countries if the Geneva meeting later this month fails to reach a sixth International Tin Agreement, Indonesia's mines and energy Minister, Mr Subroto, told the parliamentary industry and mining commission.

However, such a move would be a last resort and efforts should be taken to ensure the meeting will result in agreement more favourable to tin producing countries, he said.

Mr Subroto said current diplomatic offensives" by Thailand, Malaysia and Indonesia had stimulated deeper understanding in consumer countries about the importance of a new agreement.

Indonesian officials said the proposed organisation of the exporting countries may be patterned on the lines of the Organisation of Petroleum Exporting Countries.
Reuter

World cotton output estimate raised

WASHINGTON—World cotton production in 1980-81 will total 65.4m bales (478 lbs net), up 200,000 bales from last month's estimate, but 600,000 bales below the record harvest last year the International Cotton Advisory Committee (ICAC) predicted.

The production gain stemmed mainly from improved cotton crop prospects in Brazil, Spain and Pakistan, ICAC said.

Concerning world cotton production prospects for 1981-82, it said plantings are expected to rise noticeably from the current season. But shortages of labour and rising costs for fertilisers, herbicides and pesticides could limit the increase in certain nations.

The report predicted sharp increases in cotton plantings for 1981-82 in Mexico, Nicaragua and Honduras.

"Owing to generally favourable conditions, plantings in Turkey and Syria are expected to be noticeably larger than the current season."

But in South America, early indications point to possible reductions in cotton acreage in Brazil and Paraguay because of competition from alternate crops and in Argentina because of farmer disappointment over this year's crop, ICAC predicted.
Reuter

World wheat trade estimate raised

BY RICHARD MOONEY

THE INTERNATIONAL Wheat Council (IWC) yesterday raised its estimate of world trade in wheat this year to 90-95m tons from the 88-94m forecast in its April 27 report.

The rise was due to a reassessment of likely developing country imports, it said. These were put at 46m tons (including 7m in food aid) against 44.7m in April.

The IWC left the 1981 world wheat crop projection at 460-475m tons but cut its estimate of the 1980 harvest from 447m to 444m because of the downward adjustment of Chinese output.

Weather conditions generally remained favourable though more rain would be helpful in certain areas of the U.S. and Canada and cold, wet weather had held back sowing in the USSR. The U.S. crop was on course for a record 57m tons, up 5m from last year.

Recent rains had improved wheat crop prospects in Northern China but moisture was still below normal in some important wheat-producing provinces.

In The Hague, meanwhile, Mr John Block, the U.S. Agriculture Secretary, said the U.S. would offer the Soviet Union around 4m to 6m tonnes of grain during this final year of the present bilateral agreement when they meet in London next week, reports Reuter.

He said he was interested in negotiating a new grain pact with the USSR before the present five-year one expires on September 30, but would consider other ways of selling it grain.

The meeting in London on June 8 and 9 will be essentially consultative, Mr Block said, aimed at selling additional grain under the present agreement. But the final topic will be future arrangements for the sale of U.S. grain to the USSR.

If a new agreement cannot be negotiated by September 30 the U.S. will consider reviving the old agreement or setting up some kind of informal trade agreement, he added.

He was unable to say if any new agreement would contain a "no embargo" clause.

Mr Block said any future embargo would be across the board. The embargo imposed by President Carter last year because of Soviet intervention in Afghanistan applied only to farm exports.

He said a future embargo would need complete support.

China asked to increase rubber imports

BANGKOK—China will be asked to import between 40,000 and 60,000 tonnes of Thai rubber this year when a Chinese mission visits here this month, Mr Bajr Issarasena, director general of the foreign trade department has said.

The mission, due to arrive in Peking today will discuss rubber purchases and related problems with Thai officials.

Warning on Fiji copra

SUVA — Fiji's copra industry will collapse if it is hit by one more disaster, according to Mr Ian Thomson, chairman of the Fiji Coconut Board, the statutory organisation which partly supervises the administration of copra production and buying.

FARMER'S VIEWPOINT

The hungry are always with us

A YEAR or so ago at a dinner party in Swaziland I met a gentleman who waxed eloquent on the future for sugar. The developing peoples, he claimed, were becoming addicted to Coca Cola. Each contained a proportion of sugar. Therefore the market was limitless and the sugar price must go for ever upwards.

For about a year afterwards the market did in fact soar. Then, as we all know, it went into reverse.

I thought of the subject the other day when meeting an American economist, Dr. Son—a banker from the Middle West. In general I don't take economists seriously. Few of them have the basic training to enable them to pass judgment on human affairs. Certainly most of those of my acquaintance have had little experience in the nitty gritty of actually making a living on the market

However, in a way this man was a pleasant change from the usual Friedmanite, or even Wynne Godley for whose predictions of doom I have the greatest respect, based on the fear of them actually happening. Dr. Son is an optimist, working in the Middle West he foresees a great future for American and other farmers. The world's population, he pointed out, was due to double within a lifespan, making food, especially American food the dearest commodity in life.

Now, of course, there is nothing new in this. Malthus had the same notion some 200 years ago, and most farmers cling to it with a pathetic faith that it will be the basis for perpetual and well rewarded production of food without too much concern for the cost. I will confess that I was swayed by the same emotions after the war, until an old and cynical friend asked me who was going to pay.

The question horrified me at first. How could money be a consideration when hunger was being fought tooth and nail at the end of a terrible war? The immediate hunger crisis was solved by aid measures fairly soon. But what could be called the endemic crisis of malnutrition is still with us, in India, parts of Africa and other areas with which we are made all too familiar by the media.

There are two kinds of tragedies of this sort: one occasioned by the disturbance of war or drought as in the Sahel or in the north of Uganda. These are the proper responsibility of international action, charity if you like. In terms of numbers involved they are not large and the cost of their relief is not exhorbitant.

The most important problem is of those people always too poor to buy enough food to live, not just because of a disaster. But the basic problem of hunger is not a farming one at all.

Every country has within its borders sufficient land and other resources with which to feed its present populations and even greater ones. That many of them do not is a criticism not of the Western countries whose consciences are being wrung by the Food and Agriculture Organisation and others, but of their own governments. We can send aid in the form of expertise and some money to get production going. That is about as far as it can go. The responsibility is on the governments of those countries to use their resources wisely.

The Chinese have got this message. They manage to feed and clothe 11 human beings from every hectare of arable land available to them. The feeding and clothing may be dull and exiguous by our standards, but it is enough for basic living.

The credit for this has nothing to do with Communism — which in many countries is failing to provide enough food — but belongs to the farming abilities of the Chinese as a people. It is, I am sure, an example which must be followed by a great many developing countries which are unlikely ever to be able to generate enough in the way of resources to buy food on the world markets.

It is a supreme irony that the bulk of Western food exports are going, not to the hungry millions in the tropical belt, but to the Russians and other Communists who could, if they took the Chinese as a model, feed themselves perfectly well. This is not feeding the hungry millions, but the inefficient, and at special low prices too. There is no economic future for farming on this basis.

John Cherrington

BRITISH COMMODITY MARKETS

BASE METALS

[illegible]

months £6,410, 05, 15, 20, 10, 20, 15. Turnover: 975 tonnes.

[illegible]

50.5, 51, 52, 51.5. Kerb: Three months £651. Afternoon: Three months £653, 53.5, 54, 58, 57, 56, 57, 58, 58.5, 59. Kerb: Three months £659, 60, 61, 60, 59. Turnover: 16,625 tonnes.

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	631-.5	+5	638.5-9.5	+11.5
3 months	651-.5	+5	658.5-9	+11.5

Nickel — Morning: Three months £3,170, 75, 80, 60, 70. Kerb: Three months £3,170, 65. Afternoon: Three months £3,170, 65, 85, 90, 95. Kerb: Three months £3,180, 90. Turnover: 540 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3110-20	+65	3135-40	+85
3 months	3165-70	+61	3190-5	+88.5

* Cents per pound. † MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 8p an ounce lower for spot delivery in the London bullion markets yesterday at 513.2p. U.S. equivalents of the fixing levels were: spot $10.03, down 46.9c; three-month $10.466, down 49.2c; six-month $10.871, down 51.2c; and 12-month $11.701, down 48.5c. The metal opened at 51-518p ($10.10-10.25) and closed at 512-519p ($9.95-10.10).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	513.20p	—8.0	515.25p	—5.25
3 months	528.20p	—8.7	529.75p	—5.75
6 months	545.30p	—8.5	—	......
12months	580.55p	—5.05	—	......

LME—Turnover 13 (149) lots of 10,000 ozs. Morning: cash 510.5; three months 528.5, 27, 25.5, 25.2, 25. Kerbs: three months 525.5, 26, 27, 26. Afternoon: cash 510; three months 525, 24.5, 25, 30, 29, 29.5, 30. Kerbs: cash 518; three months 530.

COCOA

Having opened higher as due upon a weaker sterling futures eased sharply as dealer hedging of further producer sales pushed prices to new life-of-contract lows. Losses were pared during late afternoon dealings as short covering lifted prices, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
July	841-843	+1.5	855-834
Sept.	866-867	+2.0	879-855
Dec.	901-902	—2.0	914-893
March	931-932	—2.0	943-924
May	950-952	—1.0	961-944
July	970-972	—0.5	979-960
Sept.	988-989	—1.0	995-976

Sales: 3,329 (3,500) lots of 10 tonnes.
ICCO Futures—Daily price for June 3: 77.81 (79.34); five-day average 80.69 (81.38).

COFFEE

A late collapse in futures saw values closing at new contract lows as persistent commission house selling triggered dealer liquidation and stop-loss selling, reports DBL. A 4 per cent limit loss situation in New York was an added depressant as prices finished around their lowest levels for approximately five years.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
July	866-69	—43.5	920-69
Sept.	877-80	—40.0	928-71
Nov	871-75	—43.5	922-70
Jan	870-73	—43.5	905-71
March	850-75	—49.5	898-70
May	870-85	—36.0	900-75
July	860-00	—30.5	—

Sales: 4,401 (3,087) lots of 5 tonnes.
ICO indicator prices for June 3 (U.S. cents per pound): Comp. Daily ICA 1978 109.46 (110.59); 20-day average 115.53 (116.07).

GAS OIL FUTURES

A strong dollar and bearish crude oil news pushed the market close to the contract lows in the morning, with stop-loss selling entering the market at around $270.00 basis July. A rally brought the market to the highs in early afternoon before easing back again, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
June	269.00	—1.50	269.50-68.00
July	269.50	—2.50	270.50-63.00
August	273.75	—2.25	275.00-72.75
September	279.25	—1.75	280.00-77.75
October	283.50	—5.00	284.50-83.00
November	288.50	—5.00	289.25-87.75
December	293.50	—2.75	295.00-95.00
January	298.00	—3.00	300.00-98.00
February	303.25	—3.25	—

Turnover: 1,283 (692) lots of 100 tonnes.

GRAINS

July wheat opened 15p lower. Selling pressure from country and commercial sources pushed values 80p lower on the day. New crops opened unchanged and active selling from shipper and trade sources depressed values 20-30p on barley and 25-40p on the wheat, the main volume being on Nov. barley, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
July	116.00	—0.60	—	—
Sep	100.95	—0.25	94.90	—0.3
Nov	104.50	—0.40	98.60	—0.3
Jan	108.45	—0.35	102.10	—0.3
Mar	112.05	—0.35	105.60	—0.3
May	115.60	—0.30	108.90	—0.2

Business done—Wheat: July 116.40-115.95, Sept. 101.05-100.90, Nov. 104.70-104.50, Jan. 108.80-108.50, March 112.30-112.10, May 115.80-115.60. Sales: 189 lots of 100 tonnes. Barley: Sept. 95.10-94.85, Nov. 98.85-98.60, Jan. 102.10 one trade, March no trades, May 109.00-108.90. Sales: 294 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent: June 112.75, July 112.25, Aug 112.50 quoted transhipment East Coast. U.S. Hard Winter 13½ per cent: June 112.25, July 112.00, Aug 112.25 transhipment East Coast quoted. English Feed, fob: June 116, Sept 105.50, Oct 107.50, Oct-Dec 109.00 East Coast sellers. Maize: French: June 128.75 transhipment East Coast sellers. South African Yellow: June-July 90.00 seller. Barley: English Feed, fob: June 108, Aug 96.75, Sept 98, Oct.-Dec 102.75, Jan.-March 108.50 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: N. West 116.80. Feed barley: S. East 100.00, W. Midlands 100.00, N. West 102.60. The UK Monetary coefficient for the week beginning Monday, June 15, is expected to remain unchanged.

RUBBER

The London physical market opened easier, steadied on sterling, closing uncertain, Lewis and Peat reported an fob June price for No. 1 RSS in Kuala Lumpur of 266.5 (—) cents a kg and SMR 20 233.5 (—).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
July	61.80-61.70	60.40-60.50	—
August	62.70-62.80	61.50-61.80	62.80-62.60
Jly-Sept	62.80-62.90	61.80-61.70	63.00-62.20
Oct-Dec	65.70-65.90	64.70-64.80	66.30-65.00
Jan-Mar	68.60-68.70	67.70-67.80	69.20-68.00
Apl-Jne.	71.50-71.70	70.60-70.70	71.80
Jly-Sept	74.40-74.50	73.60-73.70	74.50
Oct-Dec	77.50-77.60	76.60-76.70	78.00-77.70
Jan-Mar	80.40-80.50	79.60-79.70	80.50-80.40

Sales: 898 (946) lots of 15 tonnes, 5 (3) at 5 tonnes. Physical closing prices (buyers) were: Spot 60.00p (59.25p); July 62.00p (61.00p); Aug 62.75p (61.75p).

SOYABEAN MEAL

The market opened £1.50 higher on weaker sterling, reports T. G. Roddick. High, long liquidation, coupled with trade selling, eased prices to close 50p to £1 higher.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
June	151.60-52.0	+0.45	152.80-52.50
August	151.90-52.0	+0.55	153.00-51.90
October	154.10-54.5	+1.0	154.80-54.40
December	156.20-56.5	+1.45	156.50
February	157.80-58.5	+1.55	—
April	158.00-40.5	+1.25	—
June	158.00-48.0	+0.25	—

Sales: 127 (214) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £210.00 (£220.00) a tonne cif June-July shipments. White sugar daily price £230.00 (£235.00).

The market opened £3 below kerb levels and thereafter quotations were confined within a £2 range throughout the day, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	209.25-09.40	216.50-15.55	217.00-07.00
Oct.	210.30-10.50	216.50-17.00	218.75-08.00
Jan.	211.15-11.20	215.00-17.00	212.50-10.00
March	212.50-12.60	217.75-18.00	218.75-11.00
May	215.25-13.50	218.50-20.00	218.50-12.50
Aug	215.75-14.00	220.50-21.50	219.00-11.65
Oct.	214.25-14.75	221.00 24.00	217.00-16.00

Sales: — (8,342) lots of 50 tonnes.
Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £311.0 (£322.0) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 3: Daily price 17.33 (18.68): 15-day average 15.89 (15.67).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Trading was at a standstill partly due to the uncertainty as to the future movements of sterling in relation to other currencies. Mixed interest was shown in some Middle Eastern qualities, but the offtake was negligible.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug. 390 buyer, seller unquoted, 388-386; Oct. 388, 390, 394-386; Dec. 390, 391, 394-387; Jan. 392, 394, 393-388; March 395, 402, 398-393; May 406, 410, 404-399; Aug. 414, 420, 415-413; Oct. 415, 420, 419-416; Dec. 415, 425, 420-419. Sales: 206.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. July 493.0, 495.0, 496.0,-493.0; Oct. 491.5, 492.0, 493.0-491.5; Dec. 498.0, 500.0, 499.5-498.0; March 505.0, 507.0, 508.0-507.0; May 512.5, 513.5, 514.0-512.5; July 517.0, 518.1, 517.0; Oct 515.5, 517.0, 518.0; Dec. 520.0, 523.0, untraded. Sales: 87.

POTATOES

LONDON POTATO FUTURES — All positions eased back in continued quiet trade, reports Coley and Harper. Closing prices: Nov 58.70-0.3, (high 59.00, low 58.70); Feb 67.90-0.3 (high 68.00, low 67.90); April 75.20-0.2 (high 75.40, low 75.00). Turnover: 51 (52) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 80.0; Ulster hindquarters 88.0 to 95.0, forequarters 55.0 to 59.0. Veal: Dutch hinds and ends 128.0 to 132.0. Lamb: English small 86.0 to 92.0, medium 84.0 to 88.0; Imported Frozen—New Zealand PL 71.0 to 72.0, PM 69.0 to 70.0. Pork: English, under 100lb 46.0 to 52.0, 100-120lb 44.0 to 51.0, 120-160lb 42.0 to 50.0.

MEAT COMMISSION—Average Fatstock prices at representative markets on June 4. GB—Cattle 96.23p per kg lw (−0.07). UK—Sheep 186.63p per kg est dcw (−13.44). GB—Pigs 77.66p per kg lw (+1.98).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 5.10, 56 5.10, 72 4.60, 88 3.80, 112 3.80, 138 3.30, 150 3.10; Californian: 88/138 3.80-4.80; Jaffa: Valencia Lates 56/189 4.30-5.00; Cyprus: Valencia Lates 80/120 3.00-4.60; Moroccan: Lates 48/113 3.30-5.00. Lemons—Spania: Trays 25/50 2.00-2.20, Boxes 60/100 5.20; Californian: 115/140 5.50; Italian: 100/120 4.50-4.80; Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 3.85, 48 3.90, 56 3.70, 64 3.55; Cyprus: 20-kg 40/64 5.50; Jaffa: 20-kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 7.00-7.50.

English Produce: Potatoes—Per bag 2.50-3.40; Kent new 55-lb. per pound 0.10-0.12. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15. Cauliflowers—Per 12, Kent 3.00-4.50. Cabbages—Per bag 3.20, Spring 22-lb 2.40-2.80. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.20-1.50, Cos 10/12 1.80-2.00. Tomatoes—Per 12-lb D 3.60, E 3.40. Carrots—Per 28-lb 3.20-3.50. Radishes—Per pack of 12 x 8oz 1.60, bunches of 15 1.20. Onions—Per tray x 20 bunches, spring 1.50. Celery—Per 15/24 5.50-6.00. Cucumbers—Per 10/20 1.80-2.00.

★

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.20-£4.50, codlings £2.20-£2.60. Large haddock £4.00-£4.50, medium £5.30, small £1.80-£2.30. Large plaice £6.00-£6.30, medium £5.00-£6.00, best small £3.20-£4.00. Skinned dogfish (large) £4.50, (medium) £3.50. Lemon soles (large) £9.00, (medium) £8.50. Saithe £3.40-£3.80.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 4 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1255/1265	—25	$1295/525
Copper			
Cash w'bar	£857	+4.75	£830.5
3 mths	£882.25	+5	£855.25
Cash Cathode	£852	+4.75	£824.5
3 mths	£872	+5.25	£841.25
Gold troy oz.	$461	—13	$476.5
Lead Cash	£349	+0.5	£324.5
3 mths	£357.75	—0.925	£332.5
Nickel	£3,504.60		£3,504.50
Freemkt	275/295c	—7.5	290/305c
Platin'mtr'y oz	£230.0	......	£213.5
Freemkt	£225.25	—2.4	£219.50
Quicksilver†	$425/430	......	$420/430
Silver troy oz.	513.20p	—8.0	517.55p
3 mths	528.20p	—8.7	532.35p
Tin Cash	£6,275	+102.5	£5,892.5
3 mths	£6412.5	+121.5	£5 997.5
Tungsten22.04lb	$143.75	......	$147.31
Wolfrm 22.04 lb	$145/148	......	$142/145
Zinc Cash	£407	+4	£411
3 mths	£415.75	+3.25	£419.75
Producers	$925	......	$875
Oils			
Coconut (Phil)	$555r	......	$560
Groundnut	‡	......	‡
Linseed Crude	£442	......	£424
Palm Malayan	‡	......	$570
Seeds			
Copra Philip	‡	......	$580
Soyabean(U.S.)	$298.5	—5	$318
Grains			
Barley Fut.Sep	£94.90	—0.3	£95.90
Maize	£126.75	......	£127
WheatFut.Sept	£100.95	—0.25	£102.25
No2 HardWint	£112.25	+4.25	£106.5
Other commodities			
Cocoa ship't *	£928	+2	£1,027
Future Sept	£866.5	+2	£926.5
CoffeeF t' Sept	£878.5	—40	£1070.5
Cotton A.Index	87.10c	—0.2	87.15c
Gas oil July	$269.5	—2.5	$279
Rubber (kilo)	50p	+0.75	54.25p
Sugar (Raw)	£210r	—10	£178
Woolt'ps 64s kl.	350p kilo	+10	355p kilo

‡ Unquoted. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Chana cocoa.

AMERICAN MARKETS

NEW YORK, June 4.

PRECIOUS METALS were under considerable pressure because of wildly fluctuating financial instruments. Coffee and cocoa suffered from producer and arbitrage selling. Heating oil continued its decline on indications of a mounting glutof crude oil. Cotton rallied on steady rains over production areas which may necessitate replanting, reported by Heinold.

Copper—June 77.55 (77.30), July 78.45-78.50 (78.35), Aug 79.70, Sept 80.80-181.00, Dec 84.50-84.70, Jan 85.40, March 87.30, May 89.50, July 91.70, Sept 93.80, Dec 96.95, Jan 98.00, March 100.10.

*Gold—June 464.0-466.5 (469.8), July 470.2 (475.4), Aug 475.5-476.5, Oct 487.0, Dec 499.0-502.0, Feb 512.0-514.0, April 525.7, June 538.2, Aug 550.7, Oct 563.3, Dec 576.1, Feb 589.0, April 602.1.

*Platinum—June 440.3 (445.6), July 444.5-448.0 (451.6), Aug nil, Oct 462.0, Jan. 481.3, April 499.3, July 517.3.

Potatoes (round whites)—Nov 73.8-74.0 (73.3), Feb 80.5 (same), March 85.4-86.4, April 96.5. Sales: 343.

¶Silver—June 1011.0 (1026.5), July 1020.0-1024.0 (1039.0), Aug 1038.4, Sept 101.0-1055.0, Dec 1093.0-1098.0, Jan. 1111.8, March 1140.8, May 1169.8, July 1198.8, Sept 1227.8, Dec 1271.8, Jan 1286.3, March 1315.3. Handy and Harman bullion spot 1002.00 (1045.00).

Sugar—No. 11: July 16.83-16.90 (17.32), Sept 17.05-17.11 (17.49), Oct 17.10-17.20, Jan 17.30, March 17.45-17.50, May 17.60-17.70, July 17.75-17.80, Sept 17.80-17.84, Oct 17.85-17.95. Sales: 14,110.

Tin—566.00-575.00 (576.00-585.00).

CHICAGO, June 4.

Lard—Chicago loose 19.75 (19.50).

Live Cattle—June 68.25-68.20 (67.67), Aug 66.00-65.95 (65.67), Oct 63.75-63.65, Dec 65.30-64.32, Feb 66.35, April 67.50, June 68.55.

Live Hogs—June 50.30-50.35 (49.82), July 55.55-55.55 (54.05), Aug 56.00-55.95, Oct 54.20-54.10, Dec 56.17-56.25, Feb 57.40-7.42, April 55.40, June 56.80-57.30, July 57.35.

‡‡Maize—July 340½-340 (343½), Sept 346-345¼ (347½), Dec 351-350½, March 363½-363¼, May 370-369¼, July 373½.

Pork Bellies—July 54.15-54.15 (52.15), Aug. 53.80-53.80 (51.80), Feb 70.12-70.12, March 70.80, May 71.90, July 73.45, Aug 73.00.

†Soyabeans—July 731-729½ (732½), Aug 732½-732 (735¼), Sept 733½-733, Nov 744-745, Jan 761½, March 779-779½, May 793-794, July 802.

‖Soyabean Meal—July 210.0-210.2 (210.9), Aug 21.0-211.5 (212.3), Sept 212.0-213.0, Oct 213.5-214.0, Dec 218.6-218.4, Jan 220.8-220.0, March 28.5, May 228.0-229.0.

Soyabean Oil—July 2.35-22.37 (22.46), Aug 22.75 (22.87), Sept 23.20-23.25, Oct 23.60, Dec 24.20, Jan 24.50, March 24.85-24.95, May 25.20, July 25.45-25.50, Aug 25.68-25.70.

†Wheat—July 404½-403½ (400¼), Sept 421 (417¾), Dec 445-444½, March 465, May 473½-473, July 477½.

WINNIPEG, June 4.

§Barley—July 146.10-146.20 (144.40), Oct 141.90 (141.50), Dec 142.00, March 144.20.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 256.24 (254.54).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § SCan. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Wednesday's closing prices

††Cocoa—July 1529 (1568), Sept 1620 (1658), Dec 1726, March 1808, May 1863, Juluy 1913, Sept 1963. Sales: 1,785.

Coffee—"C" Contract: July 109.25-109.60 (111.82), Sept 109.40-109.50 (112.11), Dec 107.60-107.90, March 105.75-106.50, May 106.65, July 106.30-106.31, Sept 107.50. Sales: 1,587.

Cotton—No. 2: July 83.20-83.35 (83.90), Aug 82.80-83.60 (83.25), Oct 79.99-80.00, Dec 78.01-78.10, March 79.90, May 81.20-81.55, July 82.80-83.00, Oct 82.60-82.85. Sales: 5,000.

Heating oil (cents per U.S. gallon)—July 0.9172 (0.9201), Aug 0.9188 (0.9218), Sept 0.9302, Oct 0.9474, Nov 0.9648, Dec 0.9841, Jan 1.0025, Feb 1.0175, March 1.0350, April 1.0425, May 1.0425, June nil, July 1.0425, Aug 1.0525. Turnover: 2,767.

Orange Juice—July 141.80-142.00 (141.10), Sept 145.50-144.95), Nov 146.25-146.30, Jan 147.40-147.50, March 148.40-148.50, May 149.40-149.60, July 150.40-151.60, Nov 151.65-151.85.

CHICAGO, June 3.

Chicago Imm Gold—June 469.2-470.5 (474.5), July 476.0 (480.2), Sept 487.5-488.5, Oct 494.4, Dec 506.7, Jan 513.6, March 526.5, April 533.0, June 545.9.

NEW ORLEANS—Milled Rice futures (cents per cwt of U.S. No. 2 long grain): Sept 2,377 (2,387), Nov 2,296 (same), Jan 2,330, March 2,386, May 2,420. Sales: 67 (76) lots of 1,200 cwt.

EUROPEAN MARKETS

ROTTERDAM, June 4.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent June/July 202, Aug 204, Sept 207. U.S. No. Two Red Wheat June 154, July 156.25, Aug 162. U.S. No. Two Northern Spring 14 per cent June 200, July/Aug 199, Sept 204, Oct 208, Nov 211.

Maize—(U.S. $ per tonne): U.S. No. Three Corn Yellow afloat June 157.50, July 158, Aug 159, Sept 160, Oct/Dec 162.50, Jan/March 170, April/June 178.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports June 292.50, July/Aug 294.50, Sept 294.25, Oct/Nov 296.50, Dec. 301.50, Jan. 307, Feb. 312.50, March 315. Options June 283, July 285, Aug 289, Sept 291 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 252, June 250, July 254, Aug 256, Sept 260, Nov/March 271. Brazil Pellets afloat 260, June 254 traded/sellers, July 261, Aug 265, Sept 269 sellers.

PARIS, June 4.

Cocoa—(FFr per 100 kilos): July 950 asked, Sept. 990-1002, Dec. 1015-1033, March 1056-1064, May 1085-1100, July 1112-1125. Sales at call: nil.

Sugar—(FFr per tonne): July 2460-2500, Aug. 2486-2490, Oct. 2450-2455, Nov. 2440-2465, Dec. 2445-2455, March 2498-2499, May 2510-2540, July 2520-2560. Sales at call: 16.

INDICES

FINANCIAL TIMES

June 3	June 2	Month ago	Year ago
253.44	250.79	254.14	267.56

(Base: July 1, 1952=100).

MOODY'S

June 3	June 2	Month ago	Year ago
1086.1	1093.2	1075.6	1114.0

(December 31, 1931=100)

DOW JONES

Dow Jones	June 3	June 2	Month ago	Year ago
Spot	390.36	395.31	392.26	418.70
Fut'rs	389.66	396.07	404.68	443.64

(Average 1924-25-26=100).

REUTERS

June 4	June 3	M'nth ago	Year ago
1745.0	1740.9	1684.3	1685.6

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Gilts over two points down following fresh slump in sterling but equities featured by gains in exporters

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22
June 15	June 25	June 26	July 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sterling's collapse yesterday was reflected by sharply contrasting movements in the two main investment sectors of London stock markets. British Funds displayed marked weakness against the backdrop of inflationary worries and fears about an increase in interest rates, but equities took a decided turn for the better with the emphasis centred on exporting companies.

British Funds backed away from some heavy domestic and overseas selling in the morning and, with no signs emerging of any revival in confidence as the day progressed, quotations at the long end of the market finished around the day's lowest with falls extending to 2¼. A rally in the shorts soon faltered and losses in this area ranged to a point and occasionally more. The Government securities index dropped 1.14 more to 66.05 making a loss of 1.79 over the last three trading days to its lowest since April 25, 1980.

Leading equities to reflect the demand for overseas earners included Unilever, Reckitt and **Colman, Bats, Distillers, Glaxo** and **Beecham.** Measuring the equity market's performance, the FT 30-share index advanced to close 8.9 up at 555.6, the day's best. Of the index constituents, **BP** rose to 382p in response to better-than-expected first-quarter figures but subsequently relapsed to 372p, up only 2 on balance, on the accompanying statement.

Elsewhere in equities, the day's main movements were mostly provided by companies making trading statements. Insurances again featured among the sectors, the slide in sterling being a particularly beneficial factor here and resulting in double-figure gains; the compo-brokers by 7.6 per cent. Properties, in contrast, moved against the trend, sentiment being unsettled by fears of higher interest rates.

Business in call Traded options picked up sharply and 1,112 deals were arranged. **Grand Metropolitan** recorded 169, of which 108 were transacted in the July 180's. **Lonrho** and **Commercial Union** were also in demand with 167 and 177 trades respectively. Demand for puts fell away slightly, although **BP** attracted 160 trades, 118 in the July 360's, following the first-quarter statement. Total contracts amounted to 1,327.

Insurances buoyant

Firm and active trading conditions prevailed in Insurances. Reflecting the current strength of the dollar, buyers supported Lloyds brokers and, with stock in short supply, double-figure gains were commonplace by the close. **Willis Faber** advanced 23 to 353p, **C. E. Heath** 20 to 272p and **Sedgwick Forbes** 11 to 142p. Additionally helped by news of the U.S. deal, **Hogg Robinson** also rose 11, to 128p, while **Minet** added 10 at 137p and **Alexander Howden** 9 to 127p. Also being helped by currency considerations, Composites attracted another good demand on hopes of further bid developments within the sector after Monday's Allianz's move on **Eagle Star.** The latter were marked up to a 1981 peak of 293p before closing a net 4 higher at 282p following the Board's strong defence document against the Allianz tender offer. **Commercial Union,** 171p, **General Accident,** 318p, and **Phoenix,** 270p, all appreciated 8, while **GRE** added 10 to 302p and the new nil-paid 11 to 48p premium. **Royals** rose 14 to 396p and **Sun Alliance** put on 22 to 834p.

Royal Bank of Scotland continued firmly in the banking sector, rising 6 to 188p, after 192p. Awaiting the Monopolies Commission's report on its offer for RBS, **Standard Chartered** added 20 to 630p.

Allied Breweries found support in front of today's preliminary results and closed 1½ to the good at 74½p. Wines and Spirits were featured by **Distillers** which advanced 5 to 217p, after 219p, on the company's overseas earnings potential.

Leading Building descriptions closed mixed. Cement issues took a firmer line with **Blue Circle** up 6 at 460p and **Ready Mixed Concrete** a penny dearer at 76p, but Constructions turned dull on the possibility of industrial action following the collapse of national pay talks. Elsewhere, **UBM** encountered sporadic selling and gave up 4 to 56p, while **British Dredging** cheapened a penny to 32p following the chairman's cautious statement at the annual meeting. **J. Smart** hardened a penny to 55p on the interim results.

Currency influences stimulated a certain amount of interest in **ICI** which touched 292p before closing 8 up at 290p. Among other Chemicals, **Coalite** firmed 2 for a two-day gain of 10 to 122p on the increased annual profits and dividend. **Hickson and Welch** held at 170p, the halved interim profits being in line with expectations.

Comet dull again

Leading Stores were steady-to-firm, although the level of trade again left much to be desired. **British Home Stores** bucked the trend, however, easing 3 to 163p following the annual report. Elsewhere, **Comet Radiovision** met further selling on the back of the disappointing interim figures and closed 10 lower for a two-day fall of 15 at 146p. DIY interests trended lower in sympathy, notably **Home Charm,** 5 easier at 141p. In contrast, **Martin The Newsagent** remained in demand and rose 8 to 262p, while **Owen Owen** added 4 more to 248p. Interest also revived in **Polly Peck,** 15 dearer at 260p.

Sporadic investment buying in a market none too well supplied with stock helped leading Electricals to make useful progress. Once again, **Philips Lamp** were outstanding at 475p, up 23, while **GEC** put on 10 to 695p, after 698p. **Racal** at 370p, retrieved the previous day's fall of 5 which followed news that the sale of Decca's radio and television interests to Tatung had been called off. Elsewhere, **Muirhead** added 6 to 114p on continuing hopes of a bid from Tyco Laboratories which owns a near-23 per cent stake.

Largely neglected of late, Food Manufacturers came to life on the prospect of increased overseas earnings, **Rowntree Mackintosh** rising 6 to 166p and **Cadbury Schweppes** 3 to 84p. **Northern** rose 9 to 173p following good half-yearly results, while **Associated British Foods,** preliminary results on Monday, firmed 5 to 140p. **Associated Biscuit** improved 3 to 72p and **United Biscuits** 5 to 117p.

Savoy A closed a penny dearer at 188p, after 190p, and the **B** ½ point up at £11 following the extension of the **Trusthouse Forte** bid until next Wednesday; the latter disclosed that it now holds 59.4 per cent of the equity and 37.2 per cent of the total votes in Savoy.

Reckitt & Colman good

Major exporters and dollar earners in miscellaneous industrials attracted a useful demand yesterday in the wake of the fresh weakness in sterling. Stock, however, was often hard to come by and double-figure gains were common place. **Reckitt and Colman** stood out with a rise of 14 to 272p, while **Rank Organisation,** 192p, **Unilever,** 570p, and **Hanson Trust,** 284p, all rose 10. **Thomas Tilling** gained 7 to 187p and **Bowater** 9 to 266p. Up 10 late on Wednesday on the announcement that the group had been given permission to launch its new drug Augmentin, **Beecham** rose 7 more to 206p with sentiment additionally bolstered by the satisfactory annual results; **Glaxo** put on 8 to 364p in sympathy. Elsewhere, **British Aerospace** firmed 8 to 236p on news of a £500m Saudi Arabia deal and £5m worth of Jetstream orders. **Wedgwood** found support at 86½p, up 4, while **Sothebys** gained 15 to 495p on investment buying. Reflecting the 45p per cent jump in annual profits, **CSR** appreciated 10 to 376p. **Morgan Crucible,** on the other hand, cheapened 2 to 128p on poor first-quarter figures. **Change Wares** remained friendless at 37p, down 10.

Movements among Motor Components were usually restricted to a penny or two either way. **Airflow Streamlines** eased the turn to 21p, after 20p, following the annual loss and omitted final dividend. **Flight Refuelling** closed a penny lower at 326p, after 323p; the company has announced a £5.15m rights issue to finance the acquisition of Stanley Aviation of the U.S.

Among Paper/Printings, **Usher-Walker,** which announced good annual results last month, encountered renewed support and jumped 10 to 67p. **Transparent Paper** continued to respond to call option activity and firmed 4 more to 41p, while **James Cropper,** annual results June 22, added 8 to 133p.

Properties turned dull on fears of higher interest rates. Persistent small selling left **Land Securities** 7 down at 387p and **MEPC** 8 off at 227p. **Great Portland Estates** shed 4 to 228p and **Haslemere Estates** 6 to 392p. **Law Land** relinquished 6 to 96p as bid hopes faded, while **Second City** shed 2 for a two-day fall of 7 to 70p on the £2m rights issue proposal. By contrast, **Regalian** attracted speculative buying and added 4 to 44p.

BP below best

Standing 4 higher awaiting the first-quarter figures, **British Petroleum** touched 382p on the announcement, but fell back on consideration of the accompanying statement to close just 2 dearer on balance at 372p. Other Oils closed easier for choice on concern about the possibility of a cut in North Sea prices. **Lasmo** were vulnerable and closed 17 down at 546p. **Century** dipped to 72p on the lower annual profits before closing 3 off at 75p. Elsewhere, **Global Natural Resources** rose 90 to 800p on Transatlantic influences.

Still reflecting the lower profits, **Harrisons and Crosfield** gave up 12 more to 850p. Other Overseas Traders often finished firmer. **Ocean Wilsons,** annual results June 23, added 2½ to 50½p, while **Inchcape** also attracted support at 443p, up 6 and **Elder Smith Goldsbrough Mort** advanced 15 to 255p.

Textiles trended firmer where changed.

Bats attracted further good support reflecting the fall in sterling and closed 10 higher at 387p. Elsewhere in Tobaccos, **Rothmans** added 3 more to 85p.

Golds easier

Mining share markets were quietly mixed. South African Golds moved narrowly and generally showed minor losses reflecting the further decline in the bullion price and the lower value of the Financial Rand.

Buffels moved against the trend and hardened ½ to £19 while **Stilfontein** rose 4 to 396p following the respective dividend declarations which came after market hours on Wednesday.

In Financials, **Anglo American Corporation** put on 10 to 710p in belated response to the sharply increased profits and dividend, while **De Beers** rallied 10 to 388p.

Among the London issues, **RTZ** were finally 5 cheaper at 520p, after 518p, and **Gold Fields** ended 4 lower at 502p, after 497p. Platinums weakened with **Impala** 10 down at 360p and **Rustenburg** 5 off at 230p.

The sharp fall in sterling and the consequent strength of the Australian dollar prompted widespread gains in Australians. In the leaders, **CRA** advanced 10 to 268p, **MIM Holdings** 8 to a 1981 high of 290p and **Western Mining** 7 to 324p.

The Canning Basin oil stocks also gained ground with **Vamgas** 50 up at 800p and **Swan Resources** 5 up at 72p.

Golds lost ground, however, with **Gold Mines of Kalgoorlie** notably sold and finally 20 lower at 400p. The Rundle "twins" were the subject of renewed overnight Australian selling and were marked down with **Central Pacific** 7 weaker at 98p and **Southern Pacific** a penny off at 42p.

FINANCIAL TIMES STOCK INDICES

	June 4	June 3	June 2	June 1	May 29	May 28	A year ago
Government Secs.	66.05	67.19	67.27	67.84	67.67	67.25	67.75
Fixed Interest	67.72	68.52	68.74	68.81	68.77	68.57	68.38
Industrial Ord.	555.6	546.7	547.0	549.2	542.5	545.6	423.4
Gold Mines	353.4	353.6	355.8	357.2	356.9	354.2	337.2
Ord. Div. Yield	5.82	6.01	6.00	5.99	6.06	6.02	8.47
Earnings, Yld. % (full)	11.57	11.76	11.55	11.52	11.68	11.81	20.42
P/E Ratio (net) (*)	10.78	10.60	10.84	10.87	10.73	10.63	5.95
Total bargains	19,127	18,286	19,407	19,564	20,213	18,782	17,044
Equity turnover £m.	—	130.47	93.84	247.43	142.57	119.67	121.75
Equity bargains	—	14,212	12,349	15,658	17,481	15,482	14,804

10 am 547.9. 11 am 552.0. Noon 553.7. 1 pm 554.2.
2 pm 554.6. 3 pm 554.9.
Latest Index 01-246 8026.
*Nil = 9.97.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	66.05 (4/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	67.72 (4/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (29/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 3	June 2
—Daily Gilt Edged Bargains	182.7	160.1
Equities Bargains	92.1	100.0
Value	263.7	393.1
5-day Avrge. Gilt Edged Bargains	160.8	163.1
Equities Bargains	101.4	101.7
Value	317.4	312.8

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (153)

AMERICANS (38)
CANADIANS (8)
BANKS (3)
BEERS (2)
BUILDINGS (3)
CHEMICALS (4)
DRAPERY & STORES (3)
ELECTRICALS (6)
ENGINEERING (4)
FOODS (2)
INDUSTRIALS (28)
INSURANCE (12)
LEISURE (1)
MOTORS (3)
NEWSPAPERS (2)
PAPER (7)
PROPERTY (2)
TEXTILES (4)
TOBACCOS (1)
TRUSTS (13)
OIL & GAS (1)
OVERSEAS TRADERS (1)
TEAS (1)
MINES (4)

NEW LOWS (40)

CORPORATION LOANS (9)
Bath 11¾pc 1985 — L.C.C. 5½pc '85-87
Burnley 13pc 1987 — Do. 6½pc '88-90
G.L.C. 12½pc '83 — Do. 3pc '20 Aft.
L'pool 3½pc Irred. — Sund'land 12¼pc '84
Lond. Cpn. 13¼pc '83
COM'WEALTH & AFRICAN LOANS (1)
N.Z. 7½pc '83-86
LOANS (6)
Agric. Mort. 5pc 1959-89 — FFI 7¼pc A Deb 1989-92
Met. Water 3pc B — Do. 7¼pc A Deb. 1991-94
U.S.M.C. without Warrants — Do. 8⅞pc Ln. '92-97
FOREIGN BONDS (3)
Denmark 13pc '05 — Sweden 13½pc 1986
Ireland 9¾pc '91-96
CHEMICALS (1)
ICI 5pc Pref.
ELECTRICALS (2)
Forward Tech. — Scan Data
ENGINEERING (1)
Wellman Eng.
INDUSTRIALS (6)
Brit. Syphon — M.Y. Dart
Change Wares — Ricardo
Cowan de Groot — Talbex
PAPER (1)
A.I.D.
TRUSTS (3)
City Comml. Inc. — Lond. Merchant
SPLIT Inc.
OIL AND GAS (5)
Anvil Pet. — Pict Petroleum
Clyde Pet. — Tricentrol
Floyd Oil Part.
MINES (2)
Elandsrand Gold — Minorco

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	93	1
Corpns., Dom. and Foreign Bonds	—	37	30
Industrials	306	222	840
Financial and Props.	140	53	301
Oils	26	41	19
Plantations	4	4	15
Mines	46	56	64
Others	104	20	56
Totals	628	526	1,326

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Beecham	206	+7	Hanson Trust	284	+10
British Aerospace	236	+8	Northern Foods	173	+9
BP	372	+2	Rank Organisation	192	+10
Comet Radiovision	146	−10	Reckitt and Colman	272	+14
Eagle Star	282	+4	Royal Insurance	396	+14
Guthrie	840	−10	Tilling (T.)	187	+7

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change	Stock	No. of price changes	Wednesday's closing price pence	Day's change
Ultramar	30	453	+10	Unilever	12	560	+7
Racal Elec.	17	365	−5	Cawoods	11	230	+8
GRE "New"	14	37pm	+1	Ryl. Insurance	11	382	+4
De La Rue	13	740	−23	BP	10	370	−6
Philips Lamps	13	452	+25	GEC	10	685	−3
RTZ	12	525	−7	Glaxo	10	356	+2
Shell Transport	12	360	−6	Tube Invs.	10	170	+2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21
June 22	July 3	Sept. 24	Oct. 5

For rate indications see end of Share Information Service

Stocks favoured for the call included **ICI, Mersey Docks Combined Units, Tozer Kemsley and Millbourn, Electronic Rentals, Burmah, Tubes, Premier Oil, Britannia Arrow, Hepworth Ceramic, Bath and Portland, Acrow A, Lee Cooper, Spong, Law Land, Richards and Wallington, Transparent Paper** and **British Land.** No puts were reported. Doubles were taken out in **BP** and **Fisons.**

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., June 4, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. June 3 Index No.	Tues. June 2 Index No.	Mon. June 1 Index No.	Fri. May 29 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	348.78	+0.8	10.87	4.49	11.34	346.09	345.59	344.45	341.64	227.04
2	Building Materials (25)	301.81	+0.1	14.88	5.81	8.04	301.51	301.37	302.08	301.72	225.53
3	Contracting, Construction (28)	572.31	−0.8	16.23	4.92	7.22	577.15	577.58	572.34	571.82	342.42
4	Electricals (28)	1094.33	+1.2	7.92	2.41	15.71	1081.23	1081.54	1074.85	1061.67	601.64
5	Engineering Contractors (11)	489.06	+0.2	12.27	5.52	9.81	488.01	486.54	486.03	485.23	272.25
6	Mechanical Engineering (70)	214.84	+0.9	13.23	5.67	9.43	213.00	212.50	212.15	209.90	150.26
8	Metals and Metal Forming (13)	164.28	+0.3	9.60	7.26	13.58	163.81	162.92	163.69	162.86	149.81
9	Motors (21)	105.35	+0.1	4.65	6.91	54.66	105.26	105.25	105.76	105.39	94.89
10	Other Industrial Materials (18)	377.42	+1.7	10.55	5.30	11.38	371.14	368.76	366.45	363.26	0.00
21	CONSUMER GROUP (195)	285.03	+1.2	12.72	5.59	9.61	281.53	280.23	279.12	277.89	211.57
22	Brewers and Distillers (20)	315.92	+0.9	14.68	6.01	8.09	313.04	310.95	309.37	306.36	267.89
25	Food Manufacturing (21)	259.41	+2.4	14.89	6.24	8.10	253.22	251.65	250.61	250.79	189.09
26	Food Retailing (14)	526.41	+0.7	9.47	3.35	12.54	522.77	519.11	517.96	517.24	306.13
27	Health and Household Products (7)	326.22	+3.0	8.28	4.37	14.36	316.70	307.84	307.92	303.48	190.32
29	Leisure (22)	437.16	+0.7	11.55	5.12	10.50	433.98	432.70	429.35	424.83	301.87
32	Newspapers, Publishing (12)	516.33	−0.3	11.50	5.50	12.26	517.70	515.71	513.28	513.15	408.30
33	Packaging and Paper (13)	151.56	+2.1	16.31	7.58	7.24	148.42	149.39	147.07	145.87	123.88
34	Stores (44)	273.44	−0.1	10.71	4.84	12.47	273.81	274.47	273.65	274.96	204.72
35	Textiles (23)	162.46	+2.7	8.64	5.58	15.34	158.22	158.11	158.94	157.17	117.01
36	Tobaccos (3)	265.12	+2.5	21.81	9.36	5.26	258.60	258.59	257.10	253.16	201.93
39	Other Consumer (16)	302.74	+0.5	9.97	6.27	13.77	301.14	301.20	302.38	301.24	0.00
41	OTHER GROUPS (79)	233.36	+1.3	13.22	6.48	9.20	230.46	230.90	230.38	228.95	199.31
42	Chemicals (15)	289.89	+1.7	11.23	7.16	11.13	285.05	286.63	287.81	283.35	293.40
44	Office Equipment (6)	118.19	+3.7	15.61	7.08	7.56	113.92	113.39	112.75	113.76	101.62
45	Shipping and Transport (13)	568.16	+0.5	16.07	6.37	7.45	565.21	565.31	561.18	559.73	504.45
46	Miscellaneous (45)	302.96	+0.4	13.83	5.60	8.72	301.67	301.73	299.69	299.46	242.10
49	INDUSTRIAL GROUP (488)	299.77	+1.1	12.09	5.30	10.13	296.60	295.83	294.79	293.01	218.67
51	Oils (12)	771.78	+0.2	23.10	7.30	4.80	770.41	781.32	799.16	808.76	798.15
59	500 SHARE INDEX	337.70	+0.9	13.99	5.64	8.50	334.64	334.74	335.12	333.58	264.21
61	FINANCIAL GROUP (118)	256.66	+1.2	—	5.63	—	253.59	251.11	249.00	245.81	198.29
62	Banks (6)	252.59	+0.7	36.44	7.18	3.20	250.85	249.30	247.47	245.90	215.65
63	Discount Houses (10)	281.98	—	—	8.00	—	281.98	282.87	282.87	282.87	243.85
64	Hire Purchase (3)	261.55	−1.2	12.53	6.95	11.17	264.78	264.36	267.47	267.52	195.78
65	Insurance (Life) (10)	264.03	+1.4	—	5.73	—	260.43	254.51	250.12	249.13	187.67
66	Insurance (Composite) (9)	167.37	+3.3	—	7.36	—	162.00	159.88	157.78	150.65	126.15
67	Insurance Brokers (8)	409.64	+7.6	10.74	5.67	12.81	380.74	375.94	368.16	369.43	301.28
68	Merchant Banks (13)	167.45	+0.7	—	4.78	—	166.26	165.01	163.60	160.87	107.18
69	Property (49)	474.62	−1.2	3.73	2.91	36.96	480.16	477.48	476.84	474.64	375.28
70	Miscellaneous (10)	175.32	+2.0	18.03	5.91	6.73	171.81	170.12	168.62	169.07	126.80
71	Investment Trusts (109)	306.19	+0.6	—	5.13	—	304.23	304.56	302.83	303.76	218.58
81	Mining Finance (3)	255.61	−0.8	13.41	5.25	8.74	257.66	261.20	257.13	255.32	189.47
91	Overseas Traders (20)	462.47	−0.1	10.95	6.42	11.39	462.89	470.40	473.22	474.92	364.45
99	ALL-SHARE INDEX (750)	320.76	+0.9	—	5.61	—	317.96	317.73	317.31	315.58	248.57

FIXED INTEREST

	PRICE INDICES	Thurs. June 4	Day's change %	Wed. June 3	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.08	−0.73	107.87	—	4.58
2	5-15 years●	105.87	−2.02	108.06	—	4.78
3	Over 15 years●	109.08	−2.13	111.37	—	4.93
4	Irredeemables	119.05	−1.92	121.38	—	6.46
5	All stocks●	106.96	−1.66	108.76	—	4.75
6	Debentures & Loans	83.64	−1.57	85.01	—	4.89
7	Preference	64.74	−0.03	64.86	—	3.29

	AVERAGE GROSS REDEMPTION YIELDS		Thurs. June 4	Wed. June 3	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.31	11.99	12.15
2		15 years	12.97	12.69	12.11
3		25 years	13.04	12.77	12.11
4	Medium Coupons	5 years	14.34	13.91	13.90
5		15 years	14.77	14.38	13.82
6		25 years	14.38	14.01	13.68
7	High Coupons	5 years	14.34	13.92	14.03
8		15 years	14.98	14.60	14.14
9		25 years	14.48	14.21	14.05
10	Irredeemables†		12.35	12.11	11.59
11	Debs & Loans	5 years	15.26	15.03	14.65
12		15 years	15.32	15.03	14.59
13		25 years	15.32	15.03	14.52
14	Preference†		15.32	15.29	15.78

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.
●Corrected indices for June 3.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
—	F.P.	—	£26	£21½	Allegheny Int. Inc.	£26	......	Q$1.40	—	2.6	—
‖ ‖	F.P.	—	£21⅛	£16¼	Amdahl	£20¼	......	Q40c	—	0.9	—
‖	F.P.	—	300	195	✠Atlantic Res.	210	−5	—	—	—	—
85	F.P.	24/6	140	105	✠Business Comp Syst	129	−1	u1.0	6.7	1.1	19.0
§90	F.P.	15/5	135	89	✠Consultants 10p	128	−2	—	—	—	—
475	F.P.	10/7	500	475	Energy Res. & Servics	488	......	—	—	—	—
10	F.P.	27/5	14	13	F'st Charlotte Ast Tst	13	......	—	—	—	—
100	F.P.	22/5	111	102	G.T.GlobalRec.Inv Tst	103	......	—	—	—	—
‖ ‖	F.P.	—	62	53	✠Harvey & Thompson	55	......	g2.24	1.1	5.8	21.6
¶91	F.P.	5/6	96	86	✠Intasun	87	......	g2.8	4.3	4.6	6.4
§84	F.P.	13/5	114	95	✠Metal Bulletin	110	......	5.0	1.7	6.4	12.8
100	F.P.	—	107	98	Murray Technology	101	−1	—	—	—	—
‖	F.P.	—	8½	5½	✠Reliant Motors	6½	......	—	—	—	—
‡44	F.P.	30/6	58	50	✠Selec TV	51	+1	—	—	—	—
25	F.P.	29/5	25	20	Stone Platt Cnv Cm Pf	23	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
100 ‖	Nil	—	1½pm	¼pm	BOC 9% Cnv. Uns. Ln. 2001-6	1½pm	......
¶§	F.P.	26/6	23p	16p	BPC 7.75% Non. Cum. Prf.	22½p	......
¶	F.P.	18/6	101½	100	Cambridge Water 8% Prf. 1986	100½	......
100 ‖	Nil	8/6	1¼pm	⅛pm	Crouch Gp. 9% Con. Uns. Ln. '93-96	⅛pm	−⅛
99.87	£30	16/7	29¾	27	Finland 14½% Ln. 1986	27	−1¾
99.486	£30	25/6	29	27½	International Bk. 13½% Ln. 1986	27½	−1½
100 ‖	F.P.	3/6	110¼	105	Laing Props 8¾% Cnv. Uns. Ln. 2000-05	105½	......
99	F.P.	27/8	99	97	Newcastle Water 7¾% Red. Pref. 1986	97	......
£1 ‖	F.P.	12/6	107p	101p	Norton (WE) 11% Cnv. Cum. Rd. Prf.	101p	......
**	F.P.	—	91p	90p	Paterson Zochonis 10% Cum. Pref.	91p	......
96¾	£20	7/7	20	15¼	Petroleos Mex. 14½% Ln. Duo. 2006	15¼	−1½
£1 ‖	Nil	8/6	20ppm	14ppm	Phicom 8% Cum. Con. Red. Pref.	17ppm	−1
**	F.P.	—	91½	90½	Photax 11% Cum. Pref.	90½	......
£1 ‖	Nil	12/6	6ppm	2ppm	Roxmore 12% Cnv. Cum. Red. Prf. 1991-92	2ppm	......
96½	F.P.	—	98½	93	Swansea (City of) 13½% Red. 2008	94	−½
25p ‖	F.P.	17/6	33p	25p	Weir Group 10% Red Cum Part. Conv. Prf.	33p	+1½

"RIGHTS" OFFERS

Issue Price p	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1981 High	1981 Low	Stock	Closing Price p	+ or −
Ir120	Nil	—	—	16pm	14pm	Allied Irish	14pm	......
64	F.P.	1/6	10/7	86	81	Amal. Power Eng.	86	+1
190	F.P.	1/6	13/7	222	209	Barratt Devs.	219	+1
380	F.P.	4/6	3/7	457	438	Bestobell	453	+2
66	F.P.	26/5	19/6	86	79	Brit. Car Auction	81½	−½
25	F.P.	22/5	3/7	34	31	Brit. Dredging	33	−1
77	F.P.	5/6	3/7	84	80	Cadbury Schweppes	83	......
60	F.P.	—	—	66	40	Change Wares Units	40	−10
500	Nil	19/6	15/7	450pm	500pm	Comm. Bk. of Near East	500pm	......
150	Nil	17/6	15/7	6pm	2pm	Elbar	6pm	......
55	Nil	12/6	11/8	12pm	8½pm	Fine Art	12pm	+½
98	F.P.	22/5	26/6	102	92	Floyd Oil	92	−6
95	F.P.	18/5	12/6	155	132	Fothergill & Harvey	155	+2
250	Nil	17/6	24/7	48pm	19pm	G.R.E.	48pm	+11
103	P.P.	—	—	101	66	Hong Kong & Shanghai Bank	100	+1
205	F.P.	8/5	24/7	266	247	Horizon Travel	263	......
‖	F.P.	15/5	34/6	102	95½	Lond'n Shop Pr'p 9% Cnv94-99	95½	......
138	F.P.	22/5	19/6	176	158	Mowlem (J.)	171	......
70	Nil	17/6	24/7	8½pm	6½pm	Northern Engineering	6½pm	......
Ir165	F.P.	7/5	11/6	170	157	Rohan Group	170	......
160	F.P.	15/5	12/6	176	158	Rowntree Mackintosh	170	+6
131	Nil	8/6	3/7	24pm	10pm	Smurfit (Jefferson)	22pm	......
6	P.P.	6/5	21/9	11½	6½	Sterling Credit	9½	−¼
30	F.P.	5/6	26/6	39	36	Western Selection	39	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) .... 93.2 93.3xd 14.47
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Grunebergweg 113, 6000 Frankfurt
Investa .... DM32.42 34.05 +0.15 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. May 26 .... $4.95 5.20 ...... —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra .... DM17.02 17.45 +0.12 —
Int. Rentenfonds .... DM62.18 63.45 ...... —

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. ...... 147.6 157.4 ...... 3.25
H.S. Fixed Int. Fd. ...... 92.0 96.0 ...... 12.70
Box 2622, Berne, Switzerland. Telex 33425.
H.S. Overseas Fd. ...... US$25.49 26.51 −0.01 —
CSF Fd. (Acc.) ...... SF18.78 19.17 −0.02 —
Crossbow Fd. ...... SF7.19 7.32 ...... —
ITF Fd. (Acc.) ...... US$13.98 14.28 −0.05 —

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
O.C. America Fd.† ...... US$2.71 2.87 ...... 0.59
OCSm. Co.*** ...... 124.0 131.9 ...... 2.59
O.C. Commodity* ...... 95.3 103.4 ...... 6.49
O.C. Dir. Comdty.† ...... US$44.11 46.92 ...... 2.05
O.C. Hong Kg. Fd.† ...... HK$36.55 39.30 ...... —
O.C. Sterling Fd.** ...... £13.708 ...... +0.04 —

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co., Ltd.♥ (a)(c)

Bishopsgate Progressive Mgmt. Co.♥

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.♥ (a)

Brown Shipley & Co. Ltd.♥(a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.♥

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Official Invest. Fund♥

Chieftain Trust Managers Ltd♥ (a)(g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mngrs. (a) (b) (c).

Funds in Court*

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Legal & General (Unit Tst. Mngrs.) Ltd.♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.*

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (a) (g) (c)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group♥

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.♥

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Insurance Group.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

Target Tst. Mngrs. Ltd.♥ (a) (g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. (c) (y)

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.♥

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Eagle Star Insur/Midland Assur.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.♥

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited♥

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.♥

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Merchant Investors Assurance♥

NEL Pensions Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

NPI Pensions Management Ltd.

Norwich Union Insurance Group♥

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited♥

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Amicable Investments

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company♥

Sun Alliance House, Horsham

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions(a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.I.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capitrex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Central Assets Management Ltd.

Charterhouse Japhet

Chawton Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

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Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99 11/16	97¾	Exch. 9½pc 1981	99 11/16	+ 1/32	9.53	11.47
98¼	93¾	Exch. 3pc 1981	98¼	+ 1/32	3.05	11.55
99 11/16	99⅛	Treas. Variable '81‡‡	99 11/16	− 1/16	11.98	12.68
100 11/16	99¾	Exch. 12¾pc 1981‡‡	100 1/16	−¼	12.74	12.44
97 11/16	95 11/16	Treas. 8½pc '80-82‡‡	97½	−⅛	8.71	12.77
95	91⅞	Treasury 3pc '82‡‡	93¼	−⅛	3.20	12.54
102 3/16	100 11/16	Treasury 14pc '82‡‡	101	− 1/16	13.86	12.47
99⅞	98 3/16	Treas. Variable '82‡‡	99¼xd	−⅛	13.03	12.78
95 11/16	93 11/16	Treasury 8¾pc '82	95¼xd	− 3/16	8.66	13.16
96 5/16	93 11/16	Exch. 9¼pc 1982	94¾	− 11/16	9.76	13.70
95	92⅞	Exch. 8¾pc 1983	94xd	−¼	9.38	13.07
89¼	84⅞	Exch. 3pc 1983	88⅝	−⅛	3.39	10.56
99⅜	97	Treasury 12pc 1983‡‡	97	−⅛	12.37	13.87
98 11/16	96¼	Treas. Variable '83‡‡	98⅝	−⅛	12.11	12.74
94⅛	92⅛	Treasury 9½pc '83	92⅛	− 11/16	10.04	13.64
101 11/16	99⅜	Exch. 13½pc '83	99⅜	−⅞	13.58	13.76
94⅛	92¼	Exch. 10pc 1983	92½xd	− 11/16	10.82	13.75
87¼	84½	Funding 5½pc '82-84‡‡	85¼	−½	6.45	12.25
96¼	94	Exch. 11¼pc 1984	94	−1	11.96	13.95
103 3/16	100	Exchequer 14pc 1984	100	−1	14.00	13.98
80⅝	78½	Exch. 3pc 1984	79½xd	−⅝	3.77	11.28
98⅜	95⅛	Treasury 12pc 1984	95⅛	−1 1/16	12.61	13.82
107¼	103	Treasury 15pc 1985	103	−1 1/16	14.54	13.91
98⅞	94⅜	Exch. 12pc Cnv. '85	94⅜	−1⅛	12.71	13.83
75¼	73¼	Treasury 3pc 1985	74⅜	−⅝	4.03	11.19
30 1/16	26⅜	Treas. 11½pc '85(£30pd)	26⅜	− 13/16	12.38	13.85
98⅞	94⅜	Exch. 12¼pc 1985	94⅜	−1 1/16	12.98	13.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		Public Board and Ind.				
64	58	Agric. Mt. 5pc '59-89	58	−2	8.55	13.64
29½	26¼	Met. Wtr. 3pc 'B'	26¼	−¼	11.76	14.00
114	98½	U.S.M.C. 9pc 1982	106xd	......	8.49	—
97¾	92	Do. without Warnts.	92xd	−½	9.78	16.80
		Financial				
101½	98¾	FFI 14pc '83	99⅞	......	14.02	14.07
92	88½	FFI(UK Fn)5½pcDb '80-2	91½	......	6.01	13.66
83½	79½	Do. 6¾pcDb. '81-84	79½	......	12.17	14.70
93	86½	Do. 10¾pc Uns.Ln. '86	90½	......	12.20	14.80
92	79¼	Do. 11pc Uns.Ln. '88	88½	......	13.11	14.38
92	86½	Do. 11¾pc Uns.Ln. '90	89½	......	13.87	15.08
94½	89½	Do. 12½pc Un. Ln. 1992	89	......	14.51	15.20
64½	58	Do. 7¼pcADeb. '89-92	58	−1½	12.59	15.15
62	57½	Do. 7¼pcADeb. '91-94	57½	−1	13.02	15.10
72½	68	Do. 9pc 'A' '91-94	68¼	−¼	13.63	14.95
70	64½	Do. 8⅞pcLn. '92-97	64½	−1	14.48	15.30

FOREIGN BONDS & RAILS

1981 High	Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
72	58	Antofagasta Rly.	72	......	—	—
55	55	Do. 5pc Pref.	55xd	......	—	—
98	98	Chilean Mixed	98	......	3	f3.10
28	15	Chinese 4½pc 1898	15	......	—	—
22	14	Do. 5pc 1912	14	......	—	—
18	9	Do. 5pc 1913	9	......	—	—
16	9	Do. 5pc '25 Boxer	9	......	—	—
94	81	Denmark 13pc 2005	81xd	−2¼	13	15.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS-Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	32	Acmex 50c	40	......	Q2.5c	—	3.5
34	14	ACM 20c	31	+1	—	—	—
21	14	Argosy Gold NL 25c	17	......	—	—	—
220	137	Bond Corp.	220	+8	Q7½c	1.9	1.8
104	76	Bougainville I Kina.	104	+2	Q26c	1.0	13.8
302	214	CRA 50c	268	+10	Q19c	1.7	3.8
25	17½	Canada Northwest	18½	......	—	—	—
35	16	Carr Boyd 20c	19	......	—	—	—
415	80	Central Pacific	98	−7	—	—	—
35	15	Cons. Gold Min. N.L. 50c	15	......	—	—	—
47	28	Cultus Pacific N.L.	32	−1	—	—	—
63	22	Eagle Corp. 10c	50	+2	—	—	—
40	29	Endeavour 20c	32½	+1	—	—	—
500	310	G. M. Kalgoorlie 25c	400	−20	†Q13c	ϕ	1.7
25	10	Great Eastern	12½	......	—	—	—
275	180	Hampton Areas 10p	210	......	12.5	2.4	1.7
168	52	Haoma Gold N.L.	52	−2	—	—	—
85	35	Intl. Mining	35	......	—	—	—
245	140	Kitchener NL 25c	160	+5	—	—	—
105	40	Leichardt Expln.	45	+5	—	—	—
430	275	Meekatharra	400	......	—	—	—
70	49	Metals Ex. 50c	62	+1	‡Q3c	2.9	2.5
38	20	Metramar Mins. 20cts.	33	......	—	—	—
290	190	M.I.M. Hldgs. 50c	290	+8	‡Q27.6c	1.7	‡
21	10	Minefields Expl. 25c	14	......	—	—	—
115	83	Mount Lyell 25c	110	−2	♦†Q15c	1.7	7.5
20	14	Newmetal 20c	14	−1	—	—	—
69	41	Nickelore N.L.	64	......	—	—	—
204	149	North B. Hill 50c	191	+4	Q18c	3.1	5.2
84	50	Nth. Kalgurli	63	......	—	—	—
175	94	Nth. Mining Corp.	165	−2	—	—	—
122	38	N. West Mining N.L.	40	......	—	—	—
148	106	Oakbridge 50c	148	+2	tQ12c	1.1	4.4
185	138	Oilmin N. L.	147	+7	—	—	—
186	164	Pacific Copper	162	+2	—	—	—
605	415	Pancont'l 25c	430	+10	—	—	—
72	42	Paringa M&Ex.5p	70	−2	ϕ	—	—
525	375	Peko-Wallsend 50c	510	+15	♦Q22½c	ϕ	2.4
43	27	Pelsart Res NL	34	+2	—	—	—
120	85	Selcrust A	110	+5	—	—	—
157	34	Southern Pacific	42	−1	—	—	—
85	40	Swan Resources 20c.	72	+5	—	—	—
400	9½	West Coast 25c	11½	......	—	—	—
325	227	Westn. Mining 50c.	324	+7	Q14c	1.6	2.3
27	16½	Westmex	18½	+½	—	—	—
76	46	Whim Creek 20c	60	......	—	—	—
101	58	York Resources	69	+1	—	—	—

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
16	9	Amal Nigeria 1p	9½	......	‡6.0	—	—
300	250	Ayer Hitam $M1	250	......	‡Q20.5c	1.0	‡
73	54	Beralt Tin	73	......	5.0	3.3	9.8
155	125	Geevor	128	......	‡8.4	1.9	‡
10	8	Gold & Base 12½p	9½	......	—	—	—
660	540	Gopeng Cons.	540	......	‡30.0	1.8	‡
450	360	Hongkong	360	......	21.0	ϕ	8.3
125	115	Idris 10p	122xd	......	9.0	ϕ	10.5
15½	13	Jantar 12½p	15½	......	1.5	ϕ	13.8
98	85	Kamunting $M0.50	85	......	‡Q80c	1.0	‡
570	363	Killinghall $M1	570	......	hQ66.7c	ϕ	2.4
114	88	Malay Dredging 10c	114#	......	♦hQ38c	0.9	6.8
68	30	Pahang	62	......	0.63	0.8	1.4
118	90	Pengkalen 10p	113	......	3.5	0.6	4.4
380	330	Petaling $M1	330	......	‡Q180c	1.4	‡
25	19	South Crofty 10p	24#	......	‡1.0	4.4	‡
225	200	Sungei Besi $M1	210	......	‡Q480c	1.1	‡
180	95	Supreme Corp. $M1	170	......	gQ15½c	ϕ	1.9
118	116½	Tanjong 15p	118	......	23.5	ϕ	4.3
90	75	Tongkah H. Tin I$m	75	......	Q23%	0.4	6.1
410	342	Tronoh $M1	345xd	......	Q110c	ϕ	6.5

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
335	165	Messina R0.50	320	−5	†Q45c	4.7	8.3

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
175	142	Anglo-Dominion	160	−10	—	—	—
55	40	Barymin	45	−1	—	—	—
25½	14	Burma Mines 10p	23	......	0.75	0.9	4.7
330	180	Colby Res. Corp.	290	−5	—	—	—
275	200	Cons. Murch. 10c.	275	......	tQ30c	1.8	6.2
98	70	††Hemerdon 10c.	70	......	—	—	—
180	135	Highwood Res.	140	−5	—	—	—
400	300	Northgate C$1	365	+10	—	—	—
580	372	R.T.Z.	520	−5	16.0	3.2	4.4
£125	£93½	Do.9½%Cv.Ln.'95-2000	£117	......	Q9½%	—	f8.6
143	110	††SPO Minerals 10p	110#	......	—	—	—
47	32	Sabina Inds. C$1	34	−1	—	—	—
44	28	††SWCM 10p	40	−1	—	—	—
550	465	Tara Exptn. $1	520	+15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	41	+1	Conv. 9% '80/82	£92⅝	......
Bertam	13	......	Nat. 9¾% 84/89	£74	......
Bdg'wtr. Est. 50p	465	+10	Fin. 13% 97/02	£79	−¼
Craig & Rose £1	£11½	......	Alliance Gas	77	−3
Fife Forge	66	......	Arnott	255	......
Finlay Pkg. 5p	21	......	Carroll (P.J.)	88	......
Graig Ship. £1	£22	......	Concrete Prods.	95	......
Higsons Brew.	73	......	Helton (Hldgs.)	28	......
Holt (Jos) 25p	480xd	......	Ins. Corp.	420	......
I.O.M. Stm. £1	157	−1	Irish Ropes	53	......
Pearce (C. H.)	950	......	Jacob	56	......
Peel Hldgs.	100	......	T.M.G.	15	......
Sheff. Refrshmt.	101	......	Unidare	100	......
Sindall (Wm.)	188	+3			

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	18
B.S.R.	7	"Imps"	7	Woolworths	6
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	18	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs.	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lofs"	4½	Peachey	15
Brit. Aerospace	17	London Brick	7	Samuel Props.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¾
Brown (J.)	9	"Mams"	20	**Oils**	
Burton Ord.	14	Mrks. & Spncr	11	Brit. Petroleum	33
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	7	N.E.I.	8	Charterhall	8
Debenhams	10	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	12	Premier	7½
Dunlop	8½	Plessey	28	Shell	32
Eagle Star	25	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	25	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met.	18	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	30	Rio T. Zinc	45
Guardian	30	Trust Houses	15		
G.K.N.	15	Tube Invest.	18		
Hawker Sidd	25	Turner & Newall	10		
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Friday June 5 1981

U.S. invites Sadat and Begin

BY DAVID BUCHAN IN WASHINGTON AND DAVID LENNON IN SHARM AL SHEIKH

LAST NIGHT President Ronald Reagan invited President Anwar Sadat, of Egypt, and Prime Minister Menahem Begin, of Israel, to meet him separately in the U.S. later this year. The meetings will mark President Reagan's first personal attempt to re-kindle the flagging Camp David peace agreement initiated by ex-President Carter, between the two former Middle East enemies.

The U.S. has still not abandoned its attempt to build upon the peace treaty and has criticised suggestions by the European Community that instead there should be comprehensive talks including the Palestinians.

Mr. Reagan's move was announced hours after President Sadat and Mr. Begin, the Israeli Prime Minister, had held their first meeting in 18 months in the Sinai desert. It was also just a day before Mr. Philip Habib, the U.S. special envoy returned to the Middle East to continue his mediation in the confrontation between Israel and Syria over Syrian missiles deployed in adjacent Lebanon.

The U.S. State Department revealed that Mr Habib would fly to Europe before returning to the Middle East, although U.S. officials would not disclose his European destination.

President Reagan will aim to review progress in the implementation of the Camp David Treaty during his meetings with the two leaders. Under the treaty the Sinai desert returns wholly to Egypt next year and, the U.S. is then likely to participate in a Sinai peace-keeping force.

The U.S. President will also need to decide what approach to take on the stalled issue of Palestinian autonomy. President Sadat will meet President Reagan early in August and the U.S. has invited the "Prime Minister of Israel"—worded to take account of the Israeli General Election in three weeks—to travel to the U.S. in September.

After the meeting in Israeli-occupied Sinai yesterday, Mr Begin said that he and the Egyptian leader had "made important agreements and reached serious solution" on a number of issues. However, he declined to elaborate.

President Sadat came out of the meeting with a strong attack on Syria which he blamed for the confrontation in Lebanon. "The Lebanese problem is a tragedy started in 1977 when the Syrians moved their troops into the country. If we removed the Syrians, who are the cause of the whole thing, the prospects for peace will be strengthened," he said.

President Sadat said he had asked Mr Begin to give the U.S. ample time to find a solution to the missile crisis. The two leaders agreed that the status quo should be restored in Lebanon but it is not known to what extent Mr Begin won Egyptian approval for possible future Israeli air strikes against the Syrian missile batteries in the Bekaa valley of Lebanon.

In Washington, however, U.S. officials gave the impression that Mr Habib will be making a leisurely return to the Middle East as tensions in the area are believed to have cooled.

BAe plans a £200m stake in new Airbus

By Michael Donne in Paris

BRITISH AEROSPACE is seeking Government permission to invest £200m in the projected A-320, 150-seat twin-engined short haul version of the Airbus. BAe has a 20 per cent stake in the European Airbus consortium.

Yesterday Airbus Industrie formally announced that it plans to develop the A-320, in addition to its existing A-300, 250-seater and the A-310, 200-seater.

But M Bernard Lathiere, the president of Airbus Industrie, said at the Paris International Air Show that the project depended on winning the necessary orders.

Airbus Industrie thus joins the U.S. McDonnell Douglas and Dutch Fokker group in announcing plans to enter the 150 seater airliner market. The group said several weeks ago that design work was well under way on a joint venture, the MDF-100.

Boeing, the world's biggest jet airliner manufacturer, made it clear at the Paris Show that is was not going to be left behind in the 150-seater market. It unveiled plans for the so-called "7 Dash 7" but did not commit itself to a specific programme, merely saying it was studying the market.

Nobody at the show was deceived by this. All three groups involved—Airbus Industrie, McDonnell-Fokker and Boeing—are busy canvassing airlines in pursuit of a market that could run to 2,400 aircraft worth about $75bn over the next decade.

M Lathiere said Airbus Industrie management had authority to discuss with the airlines such questions as pricing and delivery commitments. Deliveries are planned to start in late 1985 or early 1986.

Substantial progress had already been made on the design of the A-320 and this work was continuing with all the partners in the group.

The cost of developing the A-320 would be about $2bn in 1981 prices. This money would have to come from the partners — British Aerospace, Aerospatiale of France, Deutsche Airbus of West Germany and CASA of Spain—or from their governments.

Sir Austin Pearce, chairman of British Aerospace, said his group was still considering the precise details of its participation in the A-320.

British Aerospace would be interested in developing the nose and forward fuselage section of the aircraft, including the flight deck as well as perhaps final assembly of the aircraft in the UK.

BAe wins first orders for Jetstream airliner

THE LEX COLUMN

The pressure on money rates

Index rose 8.9 to 555.6

Sterling has done its best in the austere and magnificent role of petrocurrency over the last couple of years, but on days like yesterday it becomes clear that the old trouper is happiest in "crisis" character parts, absent from the repertoire for ages. Even by the standard of the remote past, 7½ cents down in a day is quite a performance, and nowhere was the impact greater than upon the already reeling gilt-edged market, where prices fell by as much as 2½ points in some cases and yields are now within a whisker of 15½ per cent.

Minimum Lending Rate at 12 per cent has been vaguely threatened for some time, and now it looks seriously exposed. For weeks now the bond market has been signalling concern about th elevel of bank lending and the outlook for inflation, and real interest rates in the UK are very low by international standards. The government used strong sterling as an excuse to cut rates last year—when the money supply figures were very poor—and it would be consistent to be guided by the exchange rate in the opposite direction, particularly as the monetary data is once again hopelessly confused.

Of course it is politically unpleasant to have to raise interest rates, and the government did not even take the precaution of abolishing MLR in the Budget. It is probably too much to hope for a new level to be set by market forces rather than by officials; for what it is worth, the gilt-edged market seems to think 14 per cent is about right.

BP

The weakness of BP's downstream and chemical operations has come home to roost in the first quarter. Around £300m of the historic net income figure of £395m can be accounted for by stock profits and, taking out the Sohio contribution of £175m, the remainder of the business is operating at a sizable real loss.

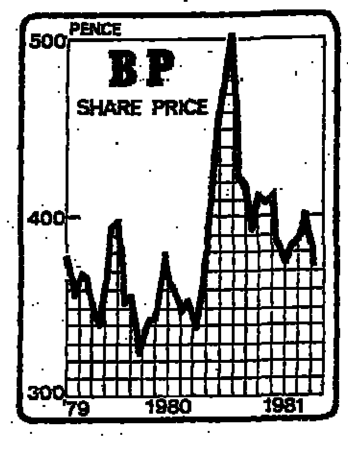
The downstream problems are attributable as much to structural overcapacity as to BP's competitive disadvantage against the Aramco partners and the group seems to have decided that wholesale rationalisation can no longer be postponed. Softer oil prices and a heavier North Sea tax bite have depressed upstream earnings to the point where they cannot comfortably support the losses of the UK and European downstream business.

Price increases should bring the downstream area closer to cost recovery in the second quarter but the stronger dollar will eliminate much of the benefit in Europe and weaker crude prices will drastically reduce stock profits.

The Sohio contribution should hold up but dividends received amount only to about one fifth of the equity-accounted profits in the first quarter.

BP can look forward to some relief from a lower BNOC price but the earnings picture is still unflattering for the rest of the year and the shares, which rose 2p to 372p yesterday, rely rely heavily on the historic yield of 7.8 per cent.

BP will no doubt at least maintain the dividend but there will almost certainly be no current cost cover and, given the absence of UK earnings, it will begrudge the ACT.



have been trading at roughly half their net asset value, which is over 450p a share according to the defence letter rushed out yesterday. The company has decided it can afford to put the dividend up by 43 per cent, making the yield 7.4 per cent at 290p.

To some extent the company has been suffering from the sins of others in the sector, with poorly justified rights issues having led to a glut of paper. This has left the composites valued at much less than net worth, and with a great many disenchanted shareholders — a promising combination of circumstances for overseas bidders.

As well as considering the downside risk if they miss the tender boat, Eagle Star's shareholders should also think about the upside potential if Allianz has to pay more to get up to its 30 per cent target.

Allianz/Eagle Star

At 282p last night, Eagle Star's share price has bridged most of the gap between the 230½p xd at which it stood last Friday night and the 290p which Allianz Versicherung offered in Monday's dawn raid and will pay again (or something close to it) in next Tuesday's tender offer for another 15 per cent of the capital. But the decision on whether to tender shares should not depend only on the price which Eagle Star, its bankers and its four fast-talking firms of brokers can coax the shares up to in the next few days. Certainly Tuesday could present a selling opportunity for short-term holders, but longer term investors should think carefully about the chance that the Allianz intervention is administering a long needed shock to the composite insurance sector.

It has, after all, taken what amounts to a partial takeover bid to make Eagle Star worry seriously about why its shares

Beecham

Beecham has come up with a good set of figures, and the equity market, already encouraged by the approval of augmentation for a general UK launch, left the shares 7p higher at 206p. Pre-tax profits in the year to March, 57m ahead at the half-way stage, show a £13.8m rise to £150.6m, and the dividend is up 9 per cent.

The second half has not enjoyed the £3m boost to profits, arising from the lower promotional spend on Aquafresh toothpaste in the U.S., which flattered the first six months. Growth seems to have been well balanced between the pharmaceutical and consumer product divisions, after a long period in which Beecham has relied too heavily on the latter.

The group is still suffering from heavy discounting in the oral antibiotic field in the U.S., but it has several well-differentiated products, such as the injectable ticarcillin, going strongly both in the U.S. and Japan.

Exchange rate movements on translation of overseas subsidiary profits have reduced Beecham's total profits by £7m. On yesterday's showing things are beginning to move Beecham's way on the currency front, which—combined with the profits that augmentin should produce from next year onwards—will help lift the group's earnings off the plateau of the last few years.

Even without augmentin, Beecham could beat £170m this year, and in a market which is suddenly recovering its interest in overseas earners the shares, yielding 4.7 per cent with solid current cost cover, should be well supported.

Industrialist chosen as SDP chief executive

By Elinor Goodman

THE Social Democrats yesterday announced the appointment of an industrialist as their first chief executive. Mr Bernard Doyle, chairman of Booker McConnell Engineering, has been given the job of setting up the organisation necessary for the new party to fight at least half the parliamentary seats in Britain at the next election.

Mr Doyle, aged 40, has no political experience and has not belonged to any political party before. He was chosen from 320 applicants for his administrative ability and business experience.

He will be responsible for the party's administration and finances, and will therefore have much the same responsibility as the general secretary of the Labour Party. But the SDP — which says it is hoping to introduce a new professional approach to British politics — is deliberately using the title of chief executive, and in its advertisements it made it clear that it was looking for a businessman.

Mr Doyle is to be paid around £20,000, which means that he will have to take a drop in salary. He has been apparently interested in the idea of a new party since it was first mooted. He was one of its founder members.

Before joining Booker McConnell in 1973, Mr Doyle — who went to the Harvard Business School — was a management consultant with Arthur D. Little. His job as chairman of Booker McConnell Engineering will be taken by Mr J. A. Nutt, his deputy.

In the two months since the new party was launched, it has signed up over 51,000 members and raised about £500,000 in membership fees. The problem for Mr Doyle and the SDP leadership will be to keep up the momentum and weld the enthusiasm of the members into an effective organisation.

Men and Matters, Page 18

Eagle Star dividend raised to fend off Allianz offer

BY ERIC SHORT

EAGLE STAR, the UK insurance group, is putting up a spirited defence against the attempt by Allianz Versicherung, the West German insurance group, to acquire a further 15 per cent stake in the company.

The British group is increasing its dividend for 1981 by 42.9 per cent to 15p per share and has calculated that the net asset value of the company is in excess of 450p per share.

On Monday, Allianz acquired a 14.9 per cent stake in Eagle Star, through a "dawn raid" mounted by stockbrokers Rowe and Pitman. The brokers paid 290p a share for a total cost of £59.2m.

Later in the day, Allianz made a tender offer to Eagle Star shareholders for a further 20,420,000 shares at a maximum price of 290p. Eagle Star immediately advised shareholders not to tender, and yesterday sent a letter to shareholders giving reasons for this advice.

Sir Denis Mountain, chairman and managing director of Eagle Star, says in the document that 290p does not represent a fair price for the shares and describes the offer as "daylight robbery."

The document refers to talks held last autumn between Eagle Star and Allianz with a view to collaboration through Allianz becoming a substantial minority shareholder. These talks ended because Eagle Star could see that such collaboration would serve Allianz's interests, but offer very little to Eagle Star.

Also, Allianz in such circumstances would effectively prevent any deals with other parties. The document pointed out that these reasons still applied now.

The document also reveals that Eagle Star has been looking for other overseas partners where co-operation would provide satisfactory mutual benefits. The company is close to agreement in certain areas and it hopes to accelerate progress.

Sir Denis said yesterday that if Allianz did succeed in acquiring nearly 30 per cent of Eagle Star's equity, there would be "no difference in the way we treat them as with any other shareholder."

Eagle Star has retained four leading stockbroking firms to canvass institutions and persuade them not to tender shares. The advice being given to clients by the brokers is to hold on to their shares for long-term considerations. But, if short-term profits are taken, they should tender at 290p or a few pence less.

Eagle Star's share price finished 4p higher at 282p, after reaching 293p on publication of the letter.

Details, Page 22

Start-up tax incentive broadened

BY DAVID FREUD

THE GOVERNMENT yesterday eased the restrictions on its proposed business start-up tax incentive, following widespread criticism.

The proposal was greeted with enthusiasm when it was announced in the March Budget. But when the legislation was released in the Finance Bill many critics—including accountants, tax experts, MPs and business representatives — said the incentive was so restricted that it was virtually worthless.

The Government yesterday laid down a range of amendment to make the scheme more attractive. The basic mechanism remains the same — allowing investors in newly started companies to offset £10,000 against their taxable income in the same way as mortgage interest payments are relieved.

The main changes increase the amount of capital in a company which can be relieved from 30 to 50 per cent and allow relief within the first five years of a new business instead of three years. The circumstances in which the relief can be withdrawn after being granted have also been reduced.

There has been considerable political pressure on the Government to make the incentive attractive. It has just launched its Business Opportunities Programme with the tax incentive as its centre-piece and a loan guarantee scheme which has also had a troublesome introduction.

Yesterday's initial reaction to the changes was cautiously welcoming. Mr. Walter Goldsmith, director-general of the Institute of Directors said the increase to 50 per cent was a great improvement, although the continued exclusion of the service industry reduced the number of jobs which might have been created.

Mr. Michael Grylls, the Tory backbencher who is chairman of the Conservative Small Business Bureau, also regretted that the qualifying trades had not been extended.

The main uncertainty remained over clawback of relief for the reasons out of the investor's control. However, the restriction on qualifying trades will run for only three years, compared with five previously. Interest will be charged only from the withdrawal of relief.

The other changes allow the use of subsidiaries, different classes of shares and the use by a company of fixed rate preference shares. Brothers and sisters can now be investors (though parents and grandparents are still excluded) and investors will be able to accept fees in a professional capacity.

There were also hints that the Government might allow itself to be persuaded on further amendments as the Bill is considered in standing committees.

Agency workers tax clause dropped, Page 10

Weather

UK TODAY

OUTBREAKS of rain, dry later.

London, S.E. England, E. Anglia, Channel Is.

Rain in places, drier later. Max. 19C.

Midlands, North, S.W. England, Wales, Borders, Edinburgh and Dundee

Dry at first, showers later. Max. 18C.

S.W. Scotland, Glasgow, Argyll, Northern Ireland, Lake District, Is. of Man

Rain, bright intervals. Max. 15C.

Scottish Highlands, Aberdeen, Orkney, Shetland

Mostly cloudy, some rain. Max. 12C.

Outlook: Showers, heavy in places. Cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	21	70	L. Ang.†		—	—
Algiers	S	24	75	Luxmbg.	R	11	52
Amsdm.	S	16	61	Luxor	S	37	99
Athens	S	26	79	Madrid	S	21	70
Bahrain	S	37	99	Majorca	F	24	75
Barclna.	F	22	72	Malaga	S	23	73
Beirut	S	26	79	Malta		—	—
Belfast	R	13	55	M'chstr.	R	14	57
Belgrd.	S	32	90	Melbne.	F	16	61
Berlin	C	18	64	Mx. C.†		—	—
Biarritz	S	20	68	Miami†		—	—
Bmghm.	C	14	57	Milan	F	22	72
Blackpl.	C	13	55	Montrl.†		—	—
Bordx.	F	20	68	Moscow	F	17	63
Boulgn.	C	13	55	Munich	R	14	57
Bristol	C	15	59	Nairobi	C	22	72
Brussels	F	17	63	Naples	F	22	72
Budpst.	F	31	88	Nassau		—	—
Cairo	S	31	88	Nwcstl.	C	15	59
Cardiff	R	13	55	N York†		—	—
Cas'b'ca		—	—	Nice	S	23	73
Cape T.	C	14	57	Nicosia		—	—
Chico †		—	—	Oporto	F	14	66
Cologne	R	12	54	Oslo	F	20	68
Conhgn.	R	15	59	Paris	C	17	63
Corfu	S	27	81	Perth	S	16	61
Denver†		—	—	Prague	F	20	68
Dublin	C	13	55	Reykjvk.	S	11	52
Dbrvnk.	S	28	82	Rhodes	S	26	79
Ednbgh.	C	15	59	Rio J'o†		—	—
Faro	S	21	70	Rome	F	23	73
Florence		—	—	Salzbrg.	R	15	59
Frankft.	R	13	55	S F cisc†		—	—
Funchal	S	20	68	S. Moritz		—	—
Geneva	R	14	57	Singapr.	F	32	90
Gibraltar	S	24	75	S'tiago†		—	—
Glasgow	F	13	55	Stckhm.	R	15	59
G'rnsey	F	13	55	Strasbg.	C	13	55
Helsinki	C	17	63	Sydney	S	19	66
H. Kong	R	25	77	Tangier	S	24	75
Innsbrk.	R	12	54	Tel Aviv	F	24	75
Invrnss.		—	—	Tenerife	S	25	77
I.of.Man		—	—	Tokyo	C	21	70
Istanbul	S	24	75	T'ronto†		—	—
Jersey	C	17	63	Tunis	S	27	81
Jo'burg	F	14	57	Valencia	S	25	77
L. Plms.	S	22	72	Venice	S	27	81
Lisbon	R	18	64	Vienna	S	26	79
Locarno	F	20	68	Warsaw	S	30	86
London	C	17	63	Zurich	C	13	55

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

Civil Service talks resume today

BY PHILIP BASSETT AND RICHARD EVANS

GOVERNMENT hopes of avoiding industrial action from next week which would hit benefit payments rest on a meeting today between union leaders and Lord Soames, the Lord President of the Council and Minister responsible for the Civil Service.

The Cabinet met yesterday and discussed civil service pay, prior to today's talks on the 13-week Civil Service pay dispute. There were indications in Whitehall last night that Cabinet ministers had apparently agreed a compromise package to be put to union leaders today in an effort to end the dispute.

Union officials and others claim to have detected a significant change in atmosphere over the issue of Civil Service pay. Previously, before meetings between the unions and the Civil Service Department, stress has been placed on the Government's determination not to move from its offer for rises this year of 7 per cent.

No such indications were apparent yesterday following the Cabinet meeting, which some took to be indicative of possible movement — though ministers have been keen not to say anything recently which might upset the delicately-balanced talks.

Some Ministers have argued the case for taking advantage of a possible extra ½-1 per cent which could be made available within this year's cash limit by accelerated manpower cuts, but up till now the Prime Minister has been firmly against such a move.

If any movement were made today, it would probably be more likely to be in areas of the proposed arrangements for future pay determination in the civil service, such as the prospect of arbitration next year, or a more clearly-defined role for comparability.

Mrs Thatcher would only say in reply to Commons questions that she hoped civil servants would accept the offer and return to work "shortly."

● Full time officials and shop stewards of the four unions representing Scotland's 1,500 ambulancemen decided yesterday to start a series of 24-hour selective strikes throughout Scotland next week without providing emergency cover or prior warning.

The decision to provide no emergency cover was taken in defiance of the national executives of the unions which had recommended to their Scottish executives that emergency services should be maintained.

Britain's 18,000 ambulancemen have rejected an offer of 7.5 per cent over 15 months which is within the 6 per cent cash limit for wage rises in the health service.

ECGB hit by dispute, Page 6
£3.1bn held up, Page 10

Sterling

Continued from Page 1

themselves continued to plunge against the dollar. The pound fell to DM 4.685 from DM 4.765, and to FFr 11.03 from FFr 11.255.

As a further rise in Eurodollar interest rates attracted a fresh wave of international funds into the U.S. currency, the dollar spurted to DM 2.415 from DM 2.36.

The West German Bundesbank did not intervene noticeably to help its currency.

The dollar also rose to SwFr 2.1413 from SwFr 2.0910, to FFr 5.68 from FFr 5.58 and to Y226.50 from Y223.50.

The rising dollar—now up 9 per cent on a trade weight basis over the past two months—helped depress the gold price which fell $13 to $461.50 in London, the lowest since December 1979.

David White writes from Paris: The cost of supporting the franc since President Mitterrand's election on May 10 was confirmed as being in excess of £2.5bn yesterday, as the French currency moved up into a more comfortable position inside the European Monetary System.

Although, like other currencies, the franc dropped sharply against the dollar, it improved against the D-Mark, keeping well clear of the "floor" which it hit immediately after the presidential poll result. The West German currency moved down to FFr 2.36 from FFr 2.37 on Wednesday.

Poland

Continued from Page 1

national leaders approved a two-hour warning strike in the area next Thursday. The local union branch, however, dropped its original plan to stage a general strike starting on June 15.

Feelings still run high over the events in the town in March when local Solidarity members were attacked by plain-clothes policy. The assaults resulted in a call for a national strike which was only narrowly averted.

Bishop Jan Michalski, assistant to the late Polish primate, Stefan Wyszynski, told a meeting that "the people in general are against new strikes. After this hard year, the people and their children must be given a respite."

Mr Andrzej Gwiazda, Mr Walesa's deputy, said the time was not ripe for a stoppage. Other speakers warned that any strike now would be exploited by the union's enemies and would be against the wishes of the Catholic church.

The militant Bydgoszcz members demand that the authorities should identify and punish the police responsible for the March attack.

According to Reuter the prosecutor in charge of the investigation told the meeting that his work was practically complete, although it had not been possible to identify the attackers.

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